92-2240

A	CATO CORP	10Q	07-31-92
B	CENTRAL SERVICE CORP	10Q	06-30-92
C	COMCOA INC	10Q	07-12-92
D	DURAMED PHARMACEUTICALS INC	10Q	06-30-92
E	FEDERATED BANK S.S.B.	10Q	06-30-92
F	FIRST BANCORPORATION OF OHIO	10Q	06-30-92
G	FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA INC	10Q	06-30-92
H	FRANKLIN FIRST FINANCIAL CORP	10Q	06-30-92
I	SWISS CHALET INC	10Q	01-31-92
J	LAKE SHORE BANCORP INC	10Q	06-30-92
K	NETWORK SYSTEMS CORP	10Q	06-30-92
L	PACIFICORP FINANCIAL SERVICES INC	10Q	06-30-92
M	PUBLIC SERVICE CO OF NORTH CAROLINA INC	10Q	06-30-92
N	APPLIED DENTAL TECHNOLOGY INC	10Q	06-30-92
O	SUNRISE BANCORP	10Q	06-30-92
P	PACE GROUP INTERNATIONAL INC	10Q	01-31-92
Q	TEJAS GAS CORP	10Q	06-30-92
R	TAJ MAHAL HOLDING CORP	10Q	06-30-92
S	CORPORATE SOFTWARE INC	10Q	06-30-92

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of The Securities Exchange Act of 1934

For Quarter Ended August 1, 1992 Commission File Number 0-3747

THE CATO CORPORATION AND SUBSIDIARIES
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

56-0484485
(I. R. S. Employer Identification No.)

8100 Denmark Road, Charlotte, North Carolina
(Address of principal executive offices)

28273-5975
(Zip Code)

Registrant's telephone number, including area code (704) 554-8510

Not Applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of The Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of August 14, 1992, there were 12,182,052 shares of Class A Common Stock and 5,518,338 shares of Class B Common Stock outstanding.

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THE CATO CORPORATION

FORM 10-Q

August 1, 1992

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THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	August 1, 1992	August 3, 1991	August 1, 1992	August 3, 1991
	(In thousands, except per share data)			
REVENUES:				
Retail sales	$ 76,653	$ 65,809	$ 152,751	$ 129,203
Other income (principally finance and layaway charges)	2,232	2,117	4,659	4,241
Total revenues	78,885	67,926	157,410	133,444
COSTS AND EXPENSES:				
Costs of goods sold, including occupancy, distribution and buying	51,748	44,353	98,933	83,040
Selling, general and administrative	19,531	18,182	38,718	35,802
Depreciation	1,043	1,127	2,061	2,275
Total operating expenses	72,322	63,662	139,712	121,117
OPERATING INCOME	6,563	4,264	17,698	12,327
Interest	331	829	1,087	1,719
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	6,232	3,435	16,611	10,608
Income taxes	2,306	1,305	6,146	4,031
INCOME BEFORE EXTRAORDINARY ITEM	3,926	2,130	10,465	6,577
Extraordinary loss on early debt retirement, net of income tax benefit	657	–	657	–
NET INCOME	$ 3,269	$ 2,130	$ 9,808	$ 6,577
EARNINGS PER SHARE:				
Income before extraordinary item	$ 0.22	$ 0.15	$ 0.65	$ 0.45
Extraordinary loss	0.04	–	0.04	–
Net income	$ 0.18	$ 0.15	$ 0.61	$ 0.45
DIVIDENDS PER SHARE	$ 0.02	$ –	$ 0.02	$ –

See notes to unaudited consolidated financial statements.

THE CATO CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS

	August 1, 1992	August 3, 1991 (In thousands)	February 1, 1992
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 18,996	$ 12,910	$ 16,621
Accounts receivable – net	26,406	23,759	23,269
Merchandise inventories	36,760	33,336	27,343
Prepaid expense	2,298	2,421	2,259
Total Current Assets	84,460	72,426	69,492
Property and Equipment	20,719	24,158	21,923
Other Assets	3,469	1,196	3,515
Total	$ 108,648	$ 97,780	$ 94,930
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$ 24,530	$ 24,485	$ 21,879
Accrued expenses	8,640	7,943	7,648
Restructuring reserve	1,941	3,152	2,136
Income taxes	1,703	3,232	4,643
Current portion of long–term debt	–	1,000	–
Total Current Liabilities	36,814	39,812	36,306
Long–Term Debt	–	26,946	24,891
Deferred Income Taxes	433	738	854
Noncurrent Restructuring Reserve	867	2,931	1,783
Other Noncurrent Liabilities	462	791	617
Stockholders' Equity:			
Class A Common Stock, issued 18,016,722 shares, 15,107,461 shares and 15,131,722 shares at August 1, 1992, August 3, 1991 and February 1, 1992, respectively	603	503	505
Convertible Class B Common Stock, issued 5,518,338 shares, 5,552,599 shares and 5,528,338 shares at August 1, 1992, August 3, 1991 and February 1, 1992, respectively	181	186	184
Preferred Stock, none	–	–	–
Additional paid–in capital	41,538	10,588	11,504
Retained earnings	34,581	22,187	25,127
	76,903	33,464	37,320
Less Class A Common Stock in treasury, at cost (5,835,070 shares, 5,985,270 shares and 5,857,470 shares at August 1, 1992, August 3, 1991 and February 1, 1992, respectively.)	6,831	6,902	6,841
Total Stockholders' Equity	70,072	26,562	30,479
Total	$ 108,648	$ 97,780	$ 94,930

See notes to unaudited consolidated financial statements.

THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended August 1, 1992	Six Months Ended August 3, 1991
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$ 9,808	$ 6,577
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,061	2,275
Amortization of deferred charges	22	34
Deferred income taxes	(421)	738
Extraordinary loss on early debt retirement	657	–
Loss on disposal of fixed assets	–	33
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,137)	1,207
(Increase) in merchandise inventories	(9,417)	(8,728)
(Increase) Decrease in other assets	(129)	227
Increase (Decrease) in accrued income taxes	(2,555)	3,232
Increase in accounts payable and other liabilities	2,920	7,530
Net cash provided by (used in) operating activities	(191)	13,125
INVESTING ACTIVITIES:		
Expenditures for property and equipment	(1,400)	(143)
Appreciation in cash surrender value of life insurance	(180)	(122)
Net cash used in investing activities	(1,580)	(265)
FINANCING ACTIVITIES:		
Retirement of debt	(25,639)	–
Proceeds from issuance of common stock	30,051	–
Cash dividends paid	(354)	–
Proceeds from stock options exercised	88	16
Borrowings under revolving credit agreement	–	47,997
Repayments under revolving credit agreement	–	(50,997)
Net cash provided by (used in) financing activities	4,146	(2,984)
Net Increase in Cash and Cash Equivalents	2,375	9,876
Cash and Cash Equivalents at Beginning of Year	16,621	3,034
Cash and Cash Equivalents at End of Period	$ 18,996	$ 12,910

See notes to unaudited consolidated financial statements.

NOTE 1 - GENERAL:

The consolidated financial statements have been prepared from the accounting records of the Company and all amounts shown at August 1, 1992 and August 3, 1991 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included.

Certain reclassifications have been made to the consolidated financial statements as of August 3, 1991 to conform with classifications used as of August 1, 1992.

Inventories are stated at the lower of cost (first-in, first-out) or market, determined by the retail inventory method.

The provisions for income taxes are based on the Company's estimated annual effective tax rate.

NOTE 2 - EARNINGS PER SHARE:

Earnings per share have been computed based on the weighted average number of Class A and Class B common shares outstanding during the respective periods. The weighted average number of shares outstanding were 17,568,099 shares and 16,185,483 shares for the three and six months ended August 1, 1992, respectively, and 14,669,729 shares and 14,669,460 shares for the three and six months ended August 3, 1991. Common stock equivalents did not have a material dilutive effect.

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the six months ended August 1, 1992 and August 3, 1991 was $1,397,000 and $1,558,000, respectively. Income tax payments, net of refunds, for the six months ended August 1, 1992 and August 3, 1991 were $9,108,000 and $38,000, respectively.

NOTE 4 - COMMON STOCK OFFERING

In May 1992, the Company issued 2,875,000 shares of Class A Common Stock in a public offering at an offering price of $11.25 per share. The net proceeds of $30,051,000 were used to pay $25,639,000 of principal and a early retirement premium on the Company's Subordinated Debentures, which is further described in Note 5, the remainder of net proceeds were added to working capital and will be used to fund the Company's expansion plans and for general corporate purposes.

NOTE 5 - RETIREMENT OF SUBORDINATED DEBENTURES

In June 1992, the Company retired its 10 1/2% Subordinated Debentures which had a scheduled maturity date of December 15, 1996. The Subordinated Debentures had a principal amount outstanding of $24,891,000 and were retired at 103% of the face value. In connection with the retirement of the Subordinated Debentures the Company recorded in the second quarter an extraordinary loss of $657,000 or $.04 per share which is net of an income tax benefit of $385,000. The loss resulted from a pre-tax early retirement premium of approximately $747,000 and the pre-tax write off of approximately $295,000 of unamortized bond issue costs.

Assuming the Company had issued the necessary shares of Class A Common Stock and used the net proceeds to retire the Subordinated Debentures on February 2, 1992, pro-forma net income would have been $4,083,000 or $.23 per share for the second quarter and $10,362,000 or $.55 per share for the six months ended August 1, 1992. The pro-forma results for the six months ended August 1, 1992 include the effects of the extraordinary loss relating to the early retirement of the Subordinated Debentures.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items in the Company's Unaudited Consolidated Statements of Operations as percentages of total revenues:

	Three Months Ended		Six Months Ended	
	August 1, 1992	August 3, 1991	August 1, 1992	August 3, 1991
Total revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold, including occupancy, distribution and buying	65.6	65.3	62.9	62.2
Selling, general and administrative	24.8	26.8	24.6	26.8
Operating income	8.3	6.3	11.2	9.2
Income before income taxes and extraordinary item	7.9	5.1	10.6	7.9
Income before extraordinary item	5.0	3.1	6.6	4.9
Net income	4.1	3.1	6.2	4.9

Comparison of Second Quarter and First Six Months of 1992 with 1991

OPERATING RESULTS

Total retail sales increased 16.5% and 18.2% from the prior year for the second quarter and first six months of the current fiscal year. Same-store sales increased 12.5% and 16.1% for the three and six months ended August 1, 1992. The Company operated 502 stores at August 1, 1992 compared to 489 stores operated at August 3, 1991. The improvement in same-store sales reflect the continued success of the Company's merchandise assortments and merchandising strategies. The Company's total sales have also been positively impacted by the new and relocated stores opened thus far this year.

Other income was $2,232,000 and $4,659,000 for the three and six months ended August 1, 1992 compared to $2,117,000 and $4,241,000 recorded for the prior year's second quarter and first six months. The increases for the quarter and for the first six months of 1992 resulted principally from earnings on short-term investments.

Cost of goods sold including occupancy, distribution and buying was 65.6% and 62.9% of revenue for the current year's second quarter and first six months compared to 65.3% and 62.2% of revenue for last year's comparable periods. Although cost of goods sold including occupancy, distribution and buying as a percentage of revenue remained relatively stable for the periods presented, the higher sales levels experienced by the Company resulted in substantial improvements in gross margin dollars. The Company's gross margin was $24,905,000 and $53,818,000 for the three and six months ended August 1, 1992 and $21,456,000 and $46,163,000 for last year's comparable periods.

Selling, general and administrative (SG&A) expenses were $19,531,000 and $38,718,000 for this year's second quarter and first six months compared to $18,182,000 and $35,802,000 for the three and six months ended August 3, 1991. Total SG&A increased 7.4% and 8.1% over the prior year's second quarter and first six months but as a percent of revenue total SG&A decreased to 24.8% from 26.8% for the second quarter and decreased to 24.6% from 26.8% for the comparable six month periods. The Company has continued to closely monitor all operating expenses to assure that any additions to operating expense are in line with the revenue levels achieved. Bad debt expense, which is a component of SG&A, was $310,000 and $650,000 for the second quarter and six months end August 1, 1992 compared to $1,103,000 and $2,559,000 recorded in last year's second quarter and first six months. The decreases reflect the continued improvement in the aging categories of the Company's customer accounts receivable portfolio. Additionally, in the current year the Company recorded no provision for store closings compared to $245,000 and $490,000 recorded in the prior year's second quarter and first six months. In the current year the costs associated with the relocation and closing of existing stores was charged against a restructuring reserve recorded at the end of the fiscal year ended February 2, 1991.

LIQUIDITY AND CAPITAL RESOURCES

At August 1, 1992 the Company's working capital was $47,646,000 compared to $32,614,000 at August 3, 1991 and $33,186,000 at February 1, 1992. At August 1, 1992 the Company had no borrowings under its bank revolving credit agreement compared to $3,000,000 at August 3, 1991. Net cash used in operating activities was $191,000 for this year's first six months compared to net cash provided of $13,125,000 in the prior year six month period. The decrease in the current year resulted principally due to approximately $4,540,000 of income tax payments made in the current year on the prior year's tax liability and by the higher merchandise and accounts receivable levels needed to support the Company's increased sales levels.

In May 1992 the Company issued 2,875,000 shares of Class A Common Stock in a public offering at an offering price of $11.25 per share. The net proceeds of $30,051,000 were used to pay $25,639,000 of principal and a early retirement premium on the Company's Subordinated Debentures and the remainder of net proceeds were added to working capital and will be used to fund the Company's expansion plans and for general corporate purposes. The Subordinated Debentures which were retired in June 1992 had a principal amount outstanding of $24,891,000 and were subject to an early retirement premium of 3% of the face value. In connection with the retirement of the Subordinated Debentures the Company recorded an extraordinary loss of $657,000, net of an income tax benefit of $385,000, resulting from the retirement premium and the write-off of unamortized bond issue costs.

Net property additions were $1,400,000 for the six months ended August 1, 1992 compared to $143,000 of additions for last year's comparable period. The Company plans approximately $5,000,000 of net capital expenditures for 1992. The expenditures relate principally to the opening of new stores and the relocation, expansion and remodeling of existing stores. Capital expenditures are expected to be financed principally through internally generated funds and by proceeds from the common stock offering.

PART II OTHER INFORMATION

THE CATO CORPORATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN THE RIGHTS OF THE COMPANY'S SECURITY HOLDERS

None

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

Not Applicable

ITEM 4. RESULT OF VOTES OF SECURITY HOLDERS

Following are the results of the matters voted upon at the Company's Annual Meeting which was held on May 21, 1992.

Election of Directors - Linda McFarland (Jenkins) - For 60,457,611; Abstaining 2,164; Against 0

Larrimore Wright - For 60,457,531; Abstaining 2,244; Against 0

George S. Currin - For 60,457,621; Abstaining 2,154; Against 0

Amendment to 1987 NonQualified Stock Option Plan - For 60,447,910; Abstaining 576,034; Against 17,686

Ratification of Ernst & Young as Auditors - For 60,447,910; Abstaining 2,019; Against 9,846

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) None

(B) On May 22, 1992 the Company filed a Form 8-K under Item 5. Other Events. The Form 8-K was filed in relation to the Company issuing a notice to retire its Subordinated Debentures. The Subordinated Debentures were retired in June 1992.

THE CATO CORPORATION

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CATO CORPORATION

August 21, 1992
Date

/s/Wayland H. Cato, Jr.
Wayland H. Cato, Jr.
Chief Executive Officer

August 21, 1992
Date

/s/Alan E. Wiley
Alan E. Wiley
Executive Vice President
Chief Financial Officer

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FORM 10-Q

82-2240

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

☒ Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

☐ Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarterly Period Ended June 30, 1992. Commission File Number 2-87305

CENTRAL SERVICE CORPORATION
(Exact name of registrant as specified in its charter)

Oklahoma	73-0779939
(State or other jurisdiction of organization)	(I.R.S. Employer Identification No.)

324 West Broadway
Enid, Oklahoma 73701
(Address of principal executive offices)
(Zip Code)

(405) 233-3535
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

The following is the number of shares outstanding of the registrant's only class of common stock, as of August 13, 1992.

Title of Class	Number of Shares Outstanding
Common Stock, $1.00 par value	900,000

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ITEM 1. FINANCIAL STATEMENTS

CENTRAL SERVICE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(In thousands)
(Unaudited)

	June 30, 1992	December 31, 1991
ASSETS		
Cash and due from banks	$ 10,924	$ 16,028
Interest-bearing deposits in other banks	3,960	5,340
Federal funds sold	7,515	11,940
Investment securities (approximate market value: 1992-$113,672 and 1991-$108,234)	110,370	104,382
Other short-term investments	415	415
Loans	82,369	78,746
Less - allowance for possible loan losses	(2,271)	(2,143)
Loans, net	80,098	76,603
Premises and equipment, net	4,300	4,219
Accrued interest receivable	2,686	2,528
Other assets	1,809	2,262
Total assets	$ 222,077	$ 223,717
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 37,397	$ 37,983
Interest-bearing	165,190	168,149
Total deposits	202,587	206,132
Other short-term borrowings	3,101	1,660
Accrued interest, expenses and taxes	1,306	1,327
Long-term debt	--	390
Other liabilities	281	502
Total liabilities	207,275	210,011
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 2,000,000 shares	--	--
Common stock, $1 par value, authorized 2,000,000 shares, 900,000 shares issued and outstanding	900	900
Capital surplus	8,308	8,308
Retained earnings	5,594	4,498
Total stockholders' equity	14,802	13,706
Total liabilities and stockholders' equity	$ 222,077	$ 223,717

The accompanying notes are an integral part of these financial statements.

CENTRAL SERVICE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per common share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
INTEREST INCOME:				
Loans	$ 2,008	$ 1,593	$ 4,056	$ 3,255
Investment securities:				
Taxable interest	1,913	1,782	3,739	3,418
Federal funds sold	69	99	157	310
Interest-bearing deposits in other banks	59	70	139	133
Other short-term investments	4	7	34	41
Total interest income	4,053	3,551	8,125	7,157
INTEREST EXPENSE:				
Deposits	1,793	1,871	3,653	3,767
Other short-term borrowings	17	22	39	66
Long-term debt	6	16	18	38
Total interest expense	1,816	1,909	3,710	3,871
Net interest income	2,237	1,642	4,415	3,286
PROVISION FOR POSSIBLE LOAN LOSSES	--	--	185	--
Net interest income after provision for possible loan losses	2,237	1,642	4,230	3,286
NONINTEREST INCOME:				
Service charges and fees	383	349	792	683
Trust fees	176	190	353	380
Net securities gains	6	37	364	37
Other	25	19	72	43
Total noninterest income	590	595	1,581	1,143
NONINTEREST EXPENSE:				
Salaries and employee benefits	1,269	1,091	2,552	2,190
Net occupancy expenses	130	115	256	223
Equipment expenses	195	174	382	346
Professional fees	289	85	413	148
Supplies and communications	129	99	264	202
FDIC assessments and other insurance	143	103	286	205
Advertising	47	46	98	87
Net revenues of other real estate and assets owned	(67)	(1)	(90)	(14)
Other	144	111	276	218
Total noninterest expense	2,279	1,823	4,437	3,605

CENTRAL SERVICE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

(In thousands, except per common share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Income before income taxes and extraordinary item.	548	414	1,374	824
INCOME TAX EXPENSE	71	140	116	279
Income before extraordinary item	477	274	1,258	545
EXTRAORDINARY ITEM-				
Reduction of income taxes by utilization of net operating loss carryforwards	--	119	--	252
Net income	$ 477	$ 393	$ 1,258	$ 797
Net income per common share:				
Income before extraordinary item	$ .53	$ .30	$ 1.40	$ .61
Extraordinary item	--	.14	--	.28
Net income per common share	$ .53	$ .44	$ 1.40	$ .89

The accompanying notes are an integral part of these financial statements.

CENTRAL SERVICE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Net income	$ 1,258	$ 797
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	275	247
Provision for possible loan losses	185	--
Net securities gains	(364)	(37)
Change in other assets	205	(89)
Change in accrued interest receivable	(158)	(520)
Change in accrued interest, expenses and taxes	(21)	359
Change in other liabilities	(221)	145
Total adjustments	(99)	105
Net cash provided by operating activities	1,159	902
Cash flows from investing activities:		
Purchases and maturities of interest-bearing deposits in other banks, net	1,380	(782)
Proceeds from maturities and paydowns of investment securities	5,640	1,796
Proceeds from sales of investment securities	16,135	5,536
Purchases of investment securities	(27,399)	(20,422)
Loans made to customers and principal collection of loans, net	(3,680)	1,787
Capital expenditures	(362)	(122)
Proceeds from sale of equipment	6	--
Principal payments received on leveraged leases	16	16
Proceeds from sale of other real estate and assets owned	232	14
Net cash used in investing activities	(8,032)	(12,177)
Cash flows from financing activities:		
Change in noninterest-bearing demand deposits	(586)	(2,285)
Change in interest-bearing demand and savings deposits	(4,603)	(1,938)
Time deposits accepted and repayment of time deposits, net	1,644	1,321
Change in other short-term borrowings	1,441	56
Change in long-term debt	(390)	(350)
Payment of dividends	(162)	(162)
Net cash used in financing activities	(2,656)	(3,358)
Net change in cash and cash equivalents	(9,529)	(14,633)
Cash and cash equivalents at beginning of period	27,968	32,645
Cash and cash equivalents at end of period	$ 18,439	$ 18,012

The accompanying notes are an integral part of these financial statements.

CENTRAL SERVICE CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Significant Accounting Policies

The consolidated financial statements included herein have been prepared by Central Service Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 1991 Annual Report on Form 10-K.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and Federal funds sold. Generally, Federal funds are sold for one-day periods. Cash paid for interest approximated $3,689,000 and $3,725,000 for the six months ended June 30, 1992 and 1991, respectively. Cash paid for income taxes was $81,000 and $6,000 for the six months ended June 30, 1992 and 1991, respectively.

The information included herein reflects all adjustments (consisting of only normal adjustments) which are, in the opinion of management, necessary to present fairly the results of the interim periods. While all normal adjustments have been made, it should be noted that interim operating results may not be indicative of the operating results for the entire year. The consolidated financial statements of the Company were prepared on the accrual basis of accounting and include the accounts of the wholly-owned subsidiary bank, Central National Bank and Trust Company of Enid ("Central Bank"). All significant intercompany balances and transactions have been eliminated. Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

(2) Allowance for Possible Loan Losses and Nonperforming Loans

The following is a summary of the allowance for possible loan losses for the six months ended June 30, 1992 and 1991 (in thousands):

	1992	1991
Balance, beginning of period	$ 2,143	$ 1,533
Loan recoveries	60	98
Loan charge-offs	(117)	(60)
Provision for possible loan losses	185	--
Balance, June 30	$ 2,271	$ 1,571

Included in loans outstanding are approximately $1,957,000 of loans accounted for on a nonaccrual basis at June 30, 1992. Other real estate and assets acquired in foreclosure proceedings and loans in which the collateral has been substantively repossessed totaled approximately $572,000 at June 30, 1992.

(3) Debt

Central Bank was a participant in the Loans to Lenders Program through the Enid Development Authority. Central Bank borrowed $2,800,000 from the Authority on June 30, 1980, at an interest rate of 11.40%. Principal reductions began May 15, 1982, and were scheduled to continue in varying annual installments through May 15, 1992, at which time the remaining principal amount of the loan was repaid. Interest was payable in semi-annual installments. The loan was secured by the pledge of mortgage loans granted by Central Bank under this program.

(4) Commitments and Contingent Liabilities

In the normal course of business, there are various commitments and contingent liabilities outstanding, such as guarantees, commitments to extend credit and similar arrangements, which are not reflected in the accompanying financial statements. The Company does not anticipate any significant losses resulting from these arrangements and transactions.

During 1986, the Company's existing directors' and officers' liability insurance coverage expired. The Company purchased directors' and officers' liability insurance in the third quarter of 1987, however, it is not in amounts or upon terms that were available in the past, and it does not provide coverage for the periods prior to the third quarter of 1987. This development, while not unique to the Company or its industry, is expected to continue in the near term. The Company has agreed to idemnify, to the extent permitted by law, its directors from any claims or assessments made against them arising from their capacity as directors of the Company.

During 1986, in connection with the disposition of Nichols Hills Bank to the former stockholders of Nichols Hills, the Company redeemed and retired 239,114 shares of its common stock. In addition, the Company obtained a letter of credit in favor of the former stockholders totaling $1,100,000, which will expire in 1993. This letter of credit is to indemnify the former stockholders against certain tax liabilities, should they incur any such tax liability as a result of the settlement. The letter of credit was secured by all of Central Bank's outstanding common stock until March 1989, at which time the letter of credit was amended. Under this amendment, Central Bank pledged $1,400,000 of U.S. Government securities as collateral in exchange for, among other things, the release of all of Central Bank's outstanding common stock.

Management's Discussion and Analysis of Financial Condition and Results of Operations
June 30, 1992
(Unaudited)

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere herein. Interim operating results may not be indicative of the operating results for the entire year.

General

The Company had consolidated net income of $1,258,000 and $797,000 for the six months ended June 30, 1992 and 1991, respectively. The net income per share was $1.40 and $.89 for the six months ended June 30, 1992 and 1991, respectively. During each of the first six months of 1992 and 1991, the Company declared and paid dividends of $.18 per share on the outstanding common stock.

As discussed in the Company's Form 10-K for the year ended December 31, 1991, Central Bank purchased substantially all the assets and assumed substantially all the liabilities of the failed First National Bank and Trust of Blackwell ("FNB") on August 30, 1991 and is operating a branch operation at the former FNB location in Blackwell, Oklahoma.

Specific comments on various other aspects of the Company's operations and financial condition are covered in the remaining captions.

Net Interest Income

The following table summarizes the daily average balance sheet, related interest earned and incurred, and yields and rates for the six months ended June 30, 1992 and 1991. The table is presented on an actual yield basis (dollars in thousands):

Six Months Ended June 30,	1992			1991		
	Average Amount Outstanding	Interest Earned/ Incurred	Average Yield/ Cost	Average Amount Outstanding	Interest Earned/ Incurred	Average Yield/ Cost
Earning assets:						
Interest-bearing deposits in other banks	$ 5,583	$ 139	5.01%	$ 3,571	$ 135	7.51%
Federal funds sold	8,205	157	3.86	9,879	310	6.33
Total investments	106,637	3,773	7.14	88,423	3,450	7.80
Total loans	80,155	4,056	10.10	59,930	3,258	11.95
Total earning assets/ interest income	200,580	8,125	8.17%	161,803	7,157	8.91%
Non-earning assets	18,361			17,478		
Total assets	$ 218,941			$ 179,280		
Interest-bearing liabilities:						
Total interest-bearing deposits	$ 166,757	3,653	4.42%	$ 131,991	3,767	5.76%
Other borrowed funds	2,370	57	4.85	2,903	104	7.22
Total interest-bearing liabilities/interest expense	169,127	3,710	4.42%	134,894	3,871	5.79%
Noninterest-bearing liabilities	35,709			31,680		
Total liabilities	204,836			166,574		
Stockholders' equity	14,105			12,706		
Total liabilities and stockholders' equity	$ 218,941			$ 179,280		
Net interest margin		$ 4,415	4.44%		$ 3,286	4.10%

Net interest income for the first six months of 1992 was $4,415,000 compared to $3,286,000 for the first six months of 1991. This represents an increase of $1,129,000 or 34.4%.

The increase in net interest income is due primarily to an increase in average earning assets that was funded through higher levels of average deposits and an increase in the net interest margin. The primary source of funds for the increase in the average deposits was the acquisition of the Blackwell branch. The increase in the net interest margin was due to the slower repricing of assets than liabilities in response to the general decline in interest rates that has occurred since December of 1991. The yield on earning assets declined 75 basis points wereas the interest-bearing liabilities declined 137 basis points which caused the net interest margin to increase by 34 basis points.

Provision for Possible Loan Losses

The Company had net charge-offs of $57,000 for the first six months of 1992 compared to net recoveries of $38,000 for the first six months of 1991. The allowance for possible loan losses as a percentage of loans was 2.8% at June 30, 1992, and 2.7% at December 31, 1991. The provision for possible loan losses was $185,000 for the six months ended June 30, 1992. The Company did not make a provision for the six months ended June 30, 1991.

The allowance for possible loan losses is established by charges to income. Loan losses and recoveries are charged or credited directly to the allowance. The adequacy of the allowance for possible loan losses is determined by management based upon a number of factors including previous loan loss experience, identification and review of problem loans, quality of the loan portfolio, and current business and economic conditions. The adequacy of the reserve is periodically reviewed and approved by the Board of Directors. However, ultimate losses may differ from the annual estimates. The estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. It is the Company's policy to charge off any loan or portion thereof, when it is deemed uncollectible in the ordinary course of business.

Included in management's analysis of the allowance for possible loan losses is the level of nonaccrual loans. Loans for which income is not being recognized on an accrual basis were $1,957,000 or 2.4% of outstanding loans at June 30, 1992, compared to $369,000 or .1% of outstanding loans at June 30, 1991. Included in the nonaccrual loans as of June 30, 1992, is $1,085,000 in loans attributable to the FNB acquisition.

Noninterest Income

Noninterest income was $1,581,000 for the first six months of 1992 compared to $1,143,000 for the first six months of 1991. The increase is due to the sale of securities as there was a gain on the sale of securities of $364,000 in 1992 and due to the increase in service charges and fees of $109,000 which was primarily attributable to the FNB acquisition.

In January of 1992, Central Bank sold certain high coupon rate GNMA securities due to an increase in prepayment risk in these securities. The increase in prepayment risk in regards to these securities was due to the rapid decline in general interest rates. The sale of these securities is the primary source of the securities gains reported in the income for the six months ended June 30, 1992.

Noninterest Expense

Noninterest expense for the first six months of 1992 was $4,437,000 compared to $3,605,000 for the first six months in 1991. The increase of $832,000 is primarily the effect of the acquisition of the Blackwell branch and an increase in professional fees.

The noninterest expense during the first six months for the Blackwell branch operation that resulted from the FNB acquisition is estimated at $515,000. Professional fees increased $265,000 in the first six months of 1992 when compared to the first six months of 1991. This increase is due to litigation incurred in the first quarter of 1992.

Liquidity and Capital Resources

Liquidity is the ability of a company to raise funds to meet its commitments. The need for liquidity arises principally from requirements to meet the maturities of short-term money market borrowings, deposit withdrawals and increases in loans and other assets. The Company's objective of maintaining an adequate level of liquidity is met through a combination of an appropriate balance of liquid assets and continuous access to alternative sources of funds at competitive rates. On the asset side, liquidity is provided by money market investments, federal funds sold and short-term marketable investment securities, all of which can be sold at virtually no market rate risk. Asset liquidity is also provided by loan repayments and from the ability to sell loans to third parties in the normal course of business. However, loans are not generally used for the purpose of providing liquidity as they must either mature or be sold for this purpose. The Company's most significant source of liquidity is its ability to renew maturing liabilities and to obtain additional funds on a daily basis. Accordingly, action taken to assure liquidity is largely short-term in nature.

There are numerous factors which affect the Company's liquidity. Demands for liquidity principally include the withdrawal of deposits, the repayment of short-term borrowings and the demands for credit. Management has historically been able to maintain an adequate level of liquidity. A primary factor contributing to liquidity has been a basic concentration of stable demand and time deposits. However, as the mix of deposits changes, a larger proportion of total deposits consists of the short-term certificates of deposit and money market accounts. Management anticipates that future sources of liquidity will continue to be available and that adequate liquidity levels will be maintained.

On a consolidated basis, liquid assets, as described above at June 30, 1992, totaled $25,000,000. This represents a decrease of $6,491,000 or 20.6% from December 31, 1991. There were no overnight borrowings through Federal funds purchased at June 30, 1992.

Capital provides the leverage for growth consistent with strategic objectives and corporate financial goals, as well as maintaining public confidence in the Company's ability to operate as a profitable and growing financial institution. The Company's capital has always been generated internally from operations. Equity capital was $14,802,000 at June 30, 1992 compared to $13,706,000 at December 31, 1991. The equity-to-assets ratios at June 30, 1992, and December 31, 1991 were 6.7% and 6.1%, respectively.

In January of 1989, the Comptroller issued the final ruling on the risk-based capital guidelines. These guidelines were jointly developed by the "Group of Ten" countries (Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, United Kingdom, United States) and Luxembourg. The U.S. banking agencies participating in the development and implementation of these guidelines include the Comptroller, the Federal Reserve and the Federal Deposit Insurance Corporation. The purpose of these risk-based capital guidelines is to require higher levels of capital in those banks which have high risk assets and/or large amounts of off-balance sheet activities. These risk-based capital guidelines are in addition to the current minimum capital-to-total assets requirement. The risk-based capital guidelines are being phased-in beginning December 31, 1990, and will be fully implemented by December 31, 1992. The Company and Central Bank are subject to these guidelines. The following table shows the Company's and Central Bank's risk-based capital ratios as compared to the required ratios at June 30, 1992, under both the transitional and final requirements.

	Company	Central Bank	Transitional Requirement	Final Requirement
Tier 1 capital to risk-adjusted assets	19.16%	18.40%	3.625%	4.0%
Total capital to risk-adjusted assets	19.42%	18.65%	7.250%	8.0%

As shown in the above table, both the Company and Central Bank exceed the risk-based capital requirements and management believes that the trend of capital for both the Company and Central Bank is favorable.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K were filed during the quarter ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTRAL SERVICE CORPORATION
(Registrant)

Date August 13, 1992

By/s/Roger A. Runyan
Roger A. Runyan
Chief Financial Officer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended: July 12, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________

Commission file number: 0-1234-8

COMCOA, INC.
(Exact name of registrant as specified in its charter)

Kansas
(State or other jurisdiction of incorporation or organization)

84-0708909
(I.R.S. Employer ID No.)

411 N. Webb Rd., Suite 200, Wichita, Kansas
(Address of principal executive office)

67206
(Zip Code)

Registrants telephone number, including area code: (316) 683-4411

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

4,313,400 common shares were outstanding as of July 12, 1992.

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COMCOA, INC.
BALANCE SHEETS
ASSETS

	July 12, 1992 (unaudited)	January 26, 1992
CURRENT ASSETS		
Cash	$ 1,764,020	$1,528,958
Accounts and note receivable	690,550	53,847
Prepaid expenses	124,297	125,823
Total current assets	2,578,867	1,708,628
RENTAL MERCHANDISE, AT COST LESS ACCUMULATED DEPRECIATION	15,706,788	13,503,550
PROPERTY AND EQUIPMENT, AT COST LESS ACCUMULATED DEPRECIATION	5,033,807	5,234,244
OTHER ASSETS		
Franchise costs, less accumulated amortization	1,231,721	1,274,414
Other	289,516	314,369
	1,521,237	1,588,783
	$24,840,699	$22,035,205

LIABILITIES AND STOCKHOLDERS' EQUITY

	July 12, 1992	January 26, 1992
CURRENT LIABILITIES		
Accounts payable	$ 1,263,748	$ 2,252,360
Accrued interest	89,464	26,736
Accrued salaries and wages	1,348,094	1,090,660
Other accrued expenses	1,582,277	1,372,411
Note payable to bank	5,800,000	- -
Income taxes payable	908,594	646,152
Total current liabilities	10,992,177	5,388,319
LONG-TERM LIABILITIES		
Note payable	- -	5,500,000
CONTINGENCIES (Note B)	–	–
STOCKHOLDERS' EQUITY		
Preferred stock	1,400,000	1,400,000
Common stock	43,740	43,740
Paid-in capital	5,567,440	5,575,050
Retained earnings	7,443,342	4,894,096
	14,454,522	11,912,886
Less shares of common stock in treasury, at cost (60,600 shares at July 12, 1992, and 76,600 shares at January 26, 1992)	606,000	766,000
	13,848,522	11,146,886
	$24,840,699	$22,035,205

The accompanying notes are an integral part of these statements.

COMCOA, INC.

STATEMENTS OF EARNINGS (UNAUDITED)

	Twelve Weeks Ended		Twenty-four Weeks Ended	
	July 12, 1992	July 14, 1991	July 12, 1992	July 14, 1991
Revenues				
Rental income	$12,907,995	$12,080,328	$25,238,616	$24,146,257
Sales of merchandise	732,090	553,226	1,575,781	1,211,390
	13,640,085	12,633,554	26,814,397	25,357,647
Costs and operating expenses				
Cost of merchandise sold	575,899	411,609	1,134,684	895,408
Depreciation and amortization				
Rental merchandise	3,322,481	3,235,270	6,423,388	6,496,585
Other	369,565	345,884	733,214	704,517
Salaries and wages	3,337,205	2,753,490	6,117,414	5,526,647
Advertising	759,884	758,143	1,484,856	1,522,162
Other operating expenses	3,476,091	3,272,896	6,920,284	6,476,166
	11,841,125	10,777,292	22,813,840	21,621,485
Operating income	1,798,960	1,856,262	4,000,557	3,736,162
Other income - lawsuit settlement	400,000	- -	400,000	- -
Other expense - interest, net	99,454	176,933	178,194	356,202
Earnings before income taxes	2,099,506	1,679,329	4,222,363	3,379,960
Income taxes	790,211	631,987	1,589,117	1,271,875
NET EARNINGS	$ 1,309,295	$ 1,047,342	$ 2,633,246	$ 2,108,085
NET EARNINGS - Per Common Share - primary and fully diluted (Note C)	$ .26	$ .21	$ .52	$ .42
Weighted average common and common equivalent shares outstanding	5,044,834	4,995,414	5,031,751	4,990,738

The accompanying notes are an integral part of these statements.

COMCOA, INC.

STATEMENTS OF CASH FLOWS (UNAUDITED)

Increase (decrease) in cash

	Twenty-four Weeks Ended	
	July 12, 1992	July 14, 1991
Cash flows from operating activities		
Cash received from customers	$25,238,616	$24,146,257
Cash paid to suppliers and employees	(14,039,243)	(12,370,169)
Interest received	20	30
Interest paid	(115,486)	(395,870)
Income taxes paid	(1,326,675)	(1,653,600)
Net cash provided by operating activities	9,757,232	9,726,648
Cash flows from investing activities		
Purchase of rental merchandise	(10,856,915)	(8,311,915)
Purchase of property and equipment	(564,426)	(528,566)
Payment of initial franchise fees	(45,000)	- -
Proceeds from sale of rental merchandise	1,575,781	1,211,390
Net cash used in investing activities	(9,890,560)	(7,629,091)
Cash flows from financing activities		
Proceeds from issuance of notes payable	3,600,000	3,900,000
Repayment of notes payable	(3,300,000)	(5,656,000)
Principal payments under capital lease obligations	- -	(272,480)
Issuance of common stock	152,390	102,270
Payment of preferred stock dividends	(84,000)	(84,000)
Net cash provided by (used in) financing activities	368,390	(2,010,210)
Net increase in cash	235,062	87,347
Cash at beginning of period	1,528,958	1,062,317
Cash at end of period	$ 1,764,020	$ 1,149,664

The accompanying notes are an integral part of these statements.

COMCOA, INC.

STATEMENTS OF CASH FLOWS - UNAUDITED (CONTINUED)

	Twenty-four Weeks Ended	
	July 12, 1992	July 14, 1991
Reconciliation of net earnings to net cash provided by operating activities		
Net earnings	$2,633,246	$2,108,085
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of rental merchandise	6,423,388	6,496,585
Other depreciation and amortization	733,214	704,517
Depreciated amount of rental merchandise and property and equipment retired	460,854	755,313
Gain on sale of rental merchandise	(441,097)	(315,982)
Decrease (increase) in accounts and note receivable	(636,703)	104,645
Decrease (increase) in prepaid expenses	1,526	(64,011)
Decrease in other assets	24,853	15,600
Increase in accounts payable and accrued liabilities	295,509	303,621
Increase (decrease) in income taxes payable	262,442	(381,725)
Net cash provided by operating activities	$9,757,232	$9,726,648

Noncash financing activities

- None -

The accompanying notes are an integral part of these statements.

COMCOA, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

Unaudited

A. Condensed financial statements

The balance sheet of COMCOA, Inc. ("COMCOA" or the "Company") as of July 12, 1992, the statements of earnings for twelve and twenty-four week periods ended July 12, 1992 and July 14, 1991, and the statements of cash flows for the periods then ended have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at July 12, 1992 and for all periods presented have been made.

The balance sheet at January 26, 1992 has been taken from the audited financial statements at that date, and condensed. Certain other information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the Company's audited financial statements and notes thereto included in its January 26, 1992 annual report to shareholders. The results of operations for the periods ended July 12, 1992, are not necessarily indicative of the operating results for the full year.

For purposes of the statements of cash flows, only cash is used as the Company does not have any items meeting the definition of cash equivalents contained in Statement of Financial Accounting Standards No. 95.

B. Contingencies

Pizza hut of Florida, Inc. ("PHF"), an affiliate of the Company, has mortgaged certain of its real estate and personal property for a total of $3,419,780 at July 12, 1992. The loans have been guaranteed by the Company. Because management of COMCOA, Inc. believes that the ability of PHF to repay the loans is excellent and the loan-to-value ratio of the properties is excellent, no provision for the guaranties has been made in the financial statements.

The Internal Revenue Service (IRS) has examined the Company's January 27, 1991, federal income tax return. The examining agent has proposed a deficiency of $1,131,471. The issue concerns the depreciation method for rental merchandise. The Company is vigorously contesting the adjustment. Should the IRS prevail, it would result in additional current tax due of $1,131,471 and a corresponding deferred tax asset of a similar amount. Management of the Company believes the ultimate outcome of this matter will not have a material adverse effect on the Company's financial position.

C. **Earnings per share**

Class A preferred stock for the periods is included in the per share computations. Primary and fully diluted earnings per common shares are considered equal in all periods that are presented. The data used in the computation of earnings per common shares as follows:

	Twelve Weeks Ended		Twenty-four Weeks Ended	
	July 12, 1992	July 14, 1991	July 12, 1992	July 14, 1991
Weighted average common shares	4,306,579	4,269,912	4,303,995	4,267,924
Add common stock equivalents:				
Convertible preferred stock	700,000	700,000	700,000	700,000
Common stock options	38,255	25,502	27,756	22,814
	5,044,834	4,995,414	5,031,751	4,990,738

Item 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

The fiscal year-end of COMCOA, Inc. is based upon 52- to 53-week period which ends four weeks after the last Sunday in December. The following discussion pertains to the Company's results of operations for the twelve and twenty-four week periods ended July 12, 1992, and to its financial condition as of that date, and as of the most recent fiscal year ended January 26, 1992.

RESULTS OF OPERATIONS

At July 12, 1992, the Company owned and operated seventy-six Rent-A-Center stores. During the same period last fiscal year, the Company owned and operated seventy-five stores. Revenues increased 8.0% this quarter over the same period last year. Following is a summary of revenue changes grouped by store maturation:

No. of Stores	Fiscal Year Opened	Quarter ended 7/12/92 Revenues	Quarter ended 7/14/91 Revenues	Increase (Decrease)	Percentage Change
1	1992	$ 95,321	$ - -	$ 95,321	N/A
10	1991	1,353,195	1,050,078	303,117	28.9%
5	1990	730,218	770,798	(40,580)	(5.3%)
22	1989	3,793,540	3,389,950	403,590	11.9%
38	Prior to 1989	7,667,811	7,422,728	245,083	3.3%
76	TOTAL	$13,640,085	$12,633,554	$1,006,531	8.0%

Revenues increased 5.7% for the twenty-four week period ended July 12, 1992, as compared to the same period last year. Following is a summary of revenue changes grouped by store maturation:

No. of Stores	Fiscal Year Opened	Twenty-four weeks 7/12/92 Revenues	Twenty-four weeks 7/14/91 Revenues	Increase (Decrease)	Percentage (Change)
1	1992	$ 166,767	$ –	$ 166,767	N/A
10	1991	2,627,722	1,999,300	628,422	31.4%
5	1990	1,468,951	1,517,363	(48,412)	(3.2%)
22	1989	7,403,410	6,883,055	520,355	7.6%
38	Prior to 1989	15,147,547	14,957,929	189,618	1.3%
76	TOTAL	$26,814,397	$25,357,647	$1,456,750	5.7%

Operating income for the current quarter was 13.2% of total revenues as compared to 14.7% for the same quarter last year. A significant portion of the decline can be attributed to higher incentive pay of store operation's management. Operating income for the twenty-four weeks ended July 12, 1992 was 14.9% of total revenue as compared to 14.7% in the same period of the prior year.

The current quarter includes $400,000 income from the settlement of a lawsuit related to the Company's business activity prior to 1985. The Company received a partial payment (net of legal fees) subsequent to quarter end, and took a note receivable for $325,000 payable on July 15, 1993.

Interest expense decreased by 43.8% from the quarter ended July 14, 1991 to the current quarter. Interest expense decreased by 50.0% from the twenty-four weeks ended July 14, 1992 to the same period in the current fiscal year. All interest expense incurred during the twenty-four weeks ended July 12, 1992 relates to a revolving note payable to a bank. The weighted average interest rate was 6.5% and 9.2% for the quarters ended July 12, 1992 and July 14, 1991, respectively. The weighted average amount outstanding was $6,647,619 and $6,755,952 during the quarters ended July 12, 1992 and July 14, 1991, respectively. The weighted average interest rate was 6.7% and 9.7% for the twenty-four weeks ended July 12, 1992 and July 14, 1991, respectively. The weighted average amount outstanding was $5,734,524 and $6,422,024 during the twenty-four weeks ended July 12, 1992 and July 14, 1991, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds to finance its business have been its cash flow from operations and bank borrowings. The funds are used chiefly to purchase and carry additional rental merchandise for existing Rent-A-Center stores as well as rental merchandise and the related assets required for the opening of new stores.

During this twenty-four week period of fiscal 1993, the net cash provided by operating activities totaled $9,757,232 compared to $9,726,648 in the first twenty-four weeks of last year. Subsequent to January 26, 1992, COMCOA's note payable was refinanced with similar terms, with a maximum amount outstanding of $6,000,000 and a due date of April 30, 1993. On April 30, 1992, the note payable was amended to allow a maximum amount outstanding of $8,000,000 through October 31, 1992, and a maximum of $6,000,000 from November 1, 1992 through April 30, 1993. Management believes that the Company's existing resources, including the renewal of its revolving bank loan on or before April 30, 1993, coupled with the anticipated cash flow from operations, will be sufficient to provide capital to finance the Company's operations.

REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed financial statements at July 12, 1992, for the twelve weeks and twenty-four weeks ended July 12, 1992 and July 14, 1991, have been reviewed, prior to filing, by Grant Thornton, the Company's independent auditors and their report is included herein.

Board of Directors
COMCOA, Inc.

We have made a review of the condensed balance sheet of COMCOA, Inc. as of July 12, 1992, and the related condensed statements of earnings and cash flows for the twelve weeks and twenty-four weeks ended July 12, 1992 and July 14, 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet as of January 26, 1992, and the related statements of earnings, changes in stockholders' equity and cash flows for the year then ended (not presented herein) and, in our report dated March 6, 1992, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of January 26, 1992 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Grant Thornton

Wichita, Kansas
August 11, 1992

PART II

Item 4. Submission of Matters to Vote of Security Holders

On June 12, 1992, the Company held its annual meeting of stockholders. The first matter was to elect six directors to hold office for the next annual term. The Board of directors, namely, Daniel J. Taylor, Daniel M. Carney, Robert W. Moore, Gary L. Simmons, William A. Simon and James G. Steckart, was elected in its entirety.

The second matter was to approve and ratify the appointment of Grant Thornton, Independent Certified Public Accountants, as auditors for the current fiscal year. The stockholders voted 4,104,969 for the proposal, 800 against, and 1,500 abstained.

Item 6. Exhibits and Reports on Form 8-K

There were no reports on Form 8-K for the twelve weeks ended July 12, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMCOA, INC.

Date: August 18, 1992

By: /s/ Daniel J. Taylor
Daniel J. Taylor, President

Date: August 18, 1992

By: /s/ Gary L. Simmons
Gary L. Simmons
Vice President - Finance

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Corporation
St. Petersburg, FL

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission File NO. 0-15242

DURAMED PHARMACEUTICALS, INC.

State of Incorporation - Delaware

IRS Employer I.D. No. 11-2590026

5040 Lester Road

Cincinnati, Ohio 45213

(513) 731-9900

Indicate by checkmark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO _____

Common Stock, $.01 par value per share:

Shares Outstanding as of June 30, 1992 6,598,564

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DURAMED PHARMACEUTICALS, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

DURAMED PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 1992	December 31, 1991
ASSETS		
Current Assets:		
Cash	$ 1,500	$ 1,300
Trade accounts receivable, less allowance for uncollectible accounts: 1992 - $283,730 1991 - $2,766,238	1,568,596	1,424,946
Inventories	1,843,554	1,486,236
Prepaid expenses	913,167	297,001
Manufacturing supplies	154,985	180,653
Due from related parties	73,760	72,775
Total current assets	4,555,562	3,462,911
Property, Plant and Equipment:		
Land	1,000,000	1,000,000
Building and improvements	6,336,083	6,311,787
Equipment, furniture and fixtures	9,343,293	9,356,809
Total	16,679,376	16,668,596
Less accumulated depreciation and amortization	6,859,288	6,334,528
Property, plant and equipment - net	9,820,088	10,334,068
Other Assets:		
Deposits and other assets	556,665	567,309
Product agreement marketing rights	997,200	997,200
Goodwill	290,129	316,475
Total other assets	1,843,994	1,880,984
Total Assets	$16,219,644	$ 15,677,963

DURAMED PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 1992	December 31, 1991
LIABILITIES & SHAREHOLDERS' EQUITY (NET CAPITAL DEFICIENCY)		
Current Liabilities:		
Notes payable to bank	$ 16,798,666	$ 16,300,000
Accounts payable	2,704,091	2,907,496
Other accrued expenses	4,372,566	3,141,058
Current portion of long-term debt	2,510,823	2,607,589
Total current liabilities	26,386,146	24,956,143
Long-Term Debt, less current portion	282,754	768,728
Total liabilities	$ 26,668,900	$ 25,724,871
Shareholders' Equity (Net Capital Deficiency):		
Preferred stock - authorized 500,000 shares, par value $.001: none issued or outstanding	---	---
Common stock - authorized 20,000,000 shares, par value $.01: issued and outstanding: 1992 - 6,598,564 shares 1991 - 6,176,941 shares	64,954	61,769
Additional paid-in capital	22,727,763	22,571,698
Retained earnings (deficit)	(33,241,973)	(32,680,375)
Total shareholders' equity (net capital deficiency)	(10,449,256)	(10,046,908)
Total Liabilities and Shareholders' Equity (Net Capital Deficiency)	$ 16,219,644	$ 15,677,963

The accompanying notes are in integral part of these consolidated financial statements.

DURAMED PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	1992	1991	1992	1991
Net sales	$ 3,262,091	$ 3,937,223	$ 6,337,305	$ 5,105,288
Cost of goods sold	2,104,908	2,298,158	4,078,899	4,298,458
Gross profit	1,157,183	1,639,065	2,258,406	806,830
Operating expenses:				
Product development	(238,443)	---	(82,960)	---
Selling	201,630	226,556	417,000	458,248
Royalties	---	---	---	2,912
General and administrative	826,064	821,820	1,554,930	2,040,876
Total operating expenses	789,251	1,048,376	1,888,970	2,502,036
Operating income (loss)	367,932	590,689	369,436	(1,695,206)
Interest expense	471,130	521,845	931,034	1,013,384
Net income (loss)	$ (103,198)	$ 68,844	$ (561,598)	$(2,708,590)
Net income (loss) per share of common stock	$ (.02)	$ .01	$ (.09)	$ (.43)
Weighted average number of common shares outstanding	6,598,564	6,280,064	6,586,314	6,280,064

The accompanying notes are an integral part of these consolidated financial statements.

DURAMED PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended June 30, 1992	Six months ended June 30, 1991
Cash flows from operating activities:		
Net (loss)	$ (561,598)	$ (2,708,590)
Adjustments to reconcile net (loss) to net cash provided by (used for) operating activities:		
Provision for product recalls	---	500,000
Depreciation and amortization	593,907	326,341
Provision for bad debts	21,609	39,734
Loss on sale of capital equipment	---	65,847
Noncash stock transactions	159,250	---
Changes in operating assets and liabilities:		
(Increase) decrease in trade accounts receivable	(165,259)	(965,544)
(Increase) decrease in inventories	(357,318)	494,210
(Increase) decrease in prepaid expenses and manufacturing supplies	(590,498)	113,270
(Increase) decrease in due from related parties	(985)	(13,889)
Increase (decrease) in accounts payable	(203,405)	(355,882)
Increase (decrease) in other accrued expenses	1,231,508	198,557
Other, net	25,282	5,891
Net cash provided by (used for) operating activities	152,493	(2,300,055)
Cash flows from investing activities:		
Capital expenditures	(68,219)	(63,186)
Proceeds from sale of capital equipment	---	659,258
Net cash provided by (used for) investing activities	(68,219)	596,072
Cash flows from financing activities:		
Net increase in notes payable to bank	498,666	2,535,117
Payments of long-term debt, including current maturities	(582,740)	(831,334)
Net cash (used for) provided by financing activities	(84,074)	1,703,783
Net increase (decrease) in cash and cash equivalents	200	(200)
Cash and cash equivalents at beginning of period	1,300	1,500
Cash and cash equivalents at end of period	$ 1,500	$ 1,300
Supplemental cash flow disclosures:		
Interest paid	$ 82,167	$ 1,034,376
Income taxes paid	---	---

Supplemental schedule of noncash investing and financing activities: None

The accompanying notes are an integral part of these consolidated financial statements.

DURAMED PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (NET CAPITAL DEFICIENCY)
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Total
	Shares	Amount			
Balance at December 31, 1991	6,176,941	$61,769	$22,571,698	$(32,680,375)	$(10,046,908)
Issuance of stock in settlement of liabilities	318,500	$ 3,185	$ 156,065	$ ---	$ 159,250
Net loss for 1992	---	---	---	(561,598)	(561,598)
Balance at June 30, 1992	6,495,441	$64,954	$22,727,763	$(33,241,973)	$(10,449,256)

The accompanying notes are an integral part of these consolidated financial statements.

DURAMED PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Interim Financial Data

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K as amended for the year ended December 31, 1991.

Note 2: Net Income (Loss) Per Common Share

Net income (loss) per common share for the periods presented is computed using the weighted average number of common shares outstanding during each period, including common share equivalents. Recognition of outstanding stock options for the purpose of computing the weighted average number of common shares outstanding was not required for the three month and six month periods ended June 30, 1992 and 1991 as their effect would have been antidilutive.

Note 3: Inventories

Inventories consist of the following:

	June 30, 1992	December 31, 1991
Raw materials	$ 1,008,572	$ 783,024
Work-in-process	51,014	113,014
Finished goods	783,968	590,198
Total	$ 1,843,554	$ 1,486,236

Note 4: Operating Leases

Effective June 1, 1990 the Company entered into an agreement to lease additional warehouse, distribution and office space. The lease term extends through September 30, 1998 at annual rentals starting at $473,000 and escalating to $593,000 during the final lease year. Per the terms of the agreement, in lieu of rental payments during the first twelve months of the term, the Company issued to the lessor 103,123 shares (the "shares") of the Company's common stock. The shares issued were not registered under the Securities Act of 1933. Under the agreement the lessor had the right, which it exercised in 1991, to require the Company to repurchase the shares at a 15% premium over the value at issue. Since the Company was unable to make the payment to purchase the shares, the agreement required the lessee of the facility immediately prior to the Company to make the payment. Payment has been made by the prior lessee and, since this prior lessee is a customer of the Company, the amount is being satisfied by the Company by the shipment of the Company's products on open account. Once total shipments are equal to the amount paid by the prior lessee for the shares ($364,699), the shares will be returned to the Company. The repurchase of the shares by the Company was accounted for as a treasury stock transaction in 1991 with the remaining amount owed to the prior lessee as of June 30, 1992 ($159,700) included in Accounts Payable in the accompanying balance sheet.

Note 5: Indebtedness

Short-Term Debt

During 1991 and 1992 the funds used by the Company in its operation have been primarily provided through borrowings against its bank line of credit. Borrowings and outstanding letters of credit under the loan agreement signed August 1, 1990 are limited to the lesser of $13,000,000 or the amount of the eligible collateral. The collateral is essentially all the Company's accounts receivable, inventory, equipment and intangibles. Interest is at the rate of prime plus 3% (9.5% at June 30, 1992) and outstanding amounts are due upon demand. On June 30, 1992 the Company's outstanding borrowings and letters of credit were more than the total allowable amount based on eligible collateral, resulting in a collateral deficit. At August 12, 1992, funds advanced by the bank totalled $16,500,000. In addition, as a result of the Company's net capital deficiency position at June 30, 1992, the Company is in default under the provisions of the loan agreement. As of August 12, 1992 the Company has not received a payment demand from its bank; however, such demand is possible if the bank deems it prudent. See "Liquidity and Capital Resources".

Long-Term Debt	June 30, 1992	December 31, 1991
Industrial Revenue Bond	$ 415,000	$ 800,000
Note payable to State of Ohio	1,534,752	1,534,752
Obligation under Industrial Revenue Bond	353,308	397,497
Installment notes payable	490,517	644,068
	2,793,577	3,376,317
Less amounts classified as current maturities	2,510,823	2,607,589
	$ 282,754	$ 768,728

The Industrial Revenue Bond, which was substantially assumed from the former owners of the facility, bears interest at 7%, requires a final principal payment of $415,000 on June 1, 1993 and is secured by the manufacturing facility. The Company did make the annual principal payment of $385,000 due June 1, 1992 and the loan is not in default.

The note payable to the State of Ohio is secured by the manufacturing facility. The loan bears interest at 7.5% and requires minimum monthly payments of $20,394 and certain other payments as defined by the agreement, with a final payment due not later than November 1993. Effective January 1, 1992 the State of Ohio agreed to a six month payment moratorium. In July 1992 this moratorium was extended through December 1992. Regular monthly payments are scheduled to recommence on January 1, 1993. The loan agreement contains certain covenants which restrict dividend payment and require minimum amounts of working capital and shareholders' equity. The Company has not obtained a waiver for non-compliance with the covenants. Therefore, the entire debt is classified as current. This debt and approximately $36,000 of installment notes payable are personally guaranteed by a former officer and by a director.

During 1985, Hamilton County, Ohio issued Industrial Revenue Bonds in the amount of $995,000, proceeds of which were used to purchase new machinery and equipment. The agreement is secured by the machinery and equipment purchased, which has a net book value of approximately $260,000 at June 30, 1992. The bonds bear interest (5.96% at June 30, 1992) which is based upon a bank's prime rate. Monthly principal and interest payments are required during the term of the loan, due in April 1995. However, the agreement contains various restrictive covenants and the Company has not obtained a waiver for non-compliance with these covenants. Therefore the entire debt is classified as current.

Note 6: Contingencies

As of April 30, 1987, the Company and one of its then officers entered into an agreement terminating the former officer's employment with the Company. Part of this agreement relates to the release of 80,015 shares of the Company's common stock held in escrow pursuant to an agreement required by the State of Ohio in connection with the Company's initial public offering in September 1986. The conditions of the escrow agreement governing full release of shares have not been satisfied and the Company has been otherwise unable to cause all of the shares to be released. The former officer has taken the position that his 1987 agreement obligated the Company to cause the shares to be released no later than September 30, 1987, and . on this basis, filed suit against the Company in May 1988. In February 1990, the jury in this proceeding found essentially that the Company was obligated to obtain the release of the escrowed shares, that the value of the stock at the earliest possible release date was $820,153 or $10.25 per share, and that the plaintiff had incurred $39,500 in other losses due to the failure to release the shares. The plaintiff's request for interest on those amounts for the period prior to the jury's decision was denied by the Court, which also ordered that, upon payment of the judgment, the Company would acquire title to the 80,015 shares of stock. The company appealed the Court's judgment and on July 5, 1991, the United States Court of Appeals for the Sixth Circuit vacated the jury decision and ordered a new trial. Furthermore, on November 12, 1991 the Court approved a motion to cancel the Company's appeal bond and related letter of credit. Based on these developments the $750,000 reserve established in 1989 was no longer considered necessary and was reversed in 1991. The case has been remanded to the Federal District Court and the trial date has been tentatively set for October 5, 1992.

In 1989 the Company agreed to purchase certain manufacturing equipment for a total cost of approximately $950,000. Per the terms of the agreement progress payments were made totalling approximately $527,000 as of December 31, 1991 and June 30, 1992 and are included in Deposits and Other Assets in the accompanying balance sheets. Approximately $600,000, including accrued interest and incidental carrying costs, remains to be paid on the equipment. The Company's current financial condition precludes the Company from making the required payment. The supplier of the equipment has notified the Company it intends, and is legally entitled, to find a buyer for the equipment. Depending on the amount of the selling price, the Company may be in jeopardy of losing all or a portion of the progress payments made to date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net sales decreased $675,000 for the three month period ended June 30, 1992 as compared to the same period in 1991 due primarily to the one time benefit of refilling the distribution lines in 1991 resulting from the recommencement of shipment of the Company's Methylprednisolone product in late March 1991.

For the six month period ended June 30, 1992 compared to the same period in 1991 sales increased $732,000 (after taking into consideration a $500,000 provision for product recalls recorded in 1991 as a reduction in sales). The increase was due principally to the fact the 1992 period includes a full six months shipments of the Company's Methylprednisolone product whereas in 1991 shipments of this product did not commence until late March.

Cost of goods sold, as a percentage of net sales, for the three month period ended June 30, 1992 was 64.5% compared to 58.4% for the same period of 1991. The performance in 1991 was favorably affected by the same factor as that noted above for the higher sales performance. For the six months ended June 30, cost of goods sold improved from 76.7% in 1991 to 64.4% in 1992 (after taking into consideration the $500,000 recall provision noted above) due to the increased sales of Methylprednisolone.

The Company suspended new product development activities throughout most of 1991 in order to conserve resources and dedicate available technical personnel to resolving issues with existing products. Development activities recommenced in late 1991 and the results for the three month and six month periods ended June 30, 1992 reflect expenditures incurred net of the reimbursement received from Schein Pharmaceutical under the terms of the companies' agreement for the development of conjugated estrogens. The amount reported for 1992 includes a one time payment from Schein of $350,000 for past development costs incurred by the Company.

The Company's selling expense is primarily comprised of the fixed expenses of the sales and marketing staff and related activities. No substantive changes have occurred in comparison with 1991.

All royalty bearing products were discontinued during 1991. As a result, no royalty expense was incurred during 1992.

General and administrative expenses for 1992 have decreased below the 1991 level due primarily to reduced legal and other professional fees in 1992 and reduced salaries as a result of staff reductions.

The reduction in interest expense resulted primarily from a reduction in the prime lending rate in effect during 1992 as compared to 1991.

No provision was made for federal, state and local income taxes due to the Company's net losses.

Liquidity and Capital Resources

As explained in the Company's Annual Report on Form 10-K for the year ended December 31, 1991 under "Item 1. Business - Business and Regulatory Environment" the Company voluntarily stopped shipping all ANDA products in November 1990 and began audits of its ANDAs. These audits were completed in 1991 and resulted in the withdrawal of all of the Company's ANDAs except the ANDAs for Methylprednisolone and Isoniazid. Shipments of Methylprednisolone recommenced in March 1991 and shipments of Isoniazid recommenced in April 1992. As a result of the substantially reduced revenue levels in 1991 and the charges incurred in 1990 due to product recalls and related inventory write-offs, the Company's financial base is nearly exhausted. At June 30, 1992 net working capital was a deficit of approximately $21,831,000 and the Company's shareholders' equity was a deficit of $10,449,000.

The Company is continuing its survival efforts focusing on three primary pursuits: 1) implementation and execution of a plan to achieve and maintain, at a minimum, break-even on a cash flow basis, 2) seeking other sources of revenue and 3) continuing discussions with potential sources of capital in an effort to secure the resources needed to fund the Company's recovery.

Since October 1991, the Company has been successful in achieving its first objective of achieving and maintaining essentially break-even results on a cash flow basis. Important in reaching this goal has been the bank's willingness to allow interest on the Company's bank borrowings to accrue. Additionally, an important element of the Company's plan has been the continued support of its unsecured creditors. At June 30, 1992, the Company owed approximately $5,700,000 to its unsecured creditors. Since late 1990 the Company has limited its disbursements to unsecured creditors to amounts needed to meet the immediate operating requirements, principally by making C.O.D. payments for virtually all goods and services. To date, virtually all suppliers have been reasonably agreeable to this approach since it offers them the ability to make profitable sales to the Company on a guaranteed basis while affording the Company the time necessary to address its financial problems. At present, this program is progressing successfully but there can be no assurance that the creditor support will continue. Also as of August 12, 1992 the Company has not received a payment demand from its bank; however, such demand is possible if the bank deems it prudent.

The Company will need additional capital to support its operations and to meet its obligations. Simultaneous with discussions and negotiations with its bank, the Company has pursued, and continues to pursue, other sources of permanent capital. Although all such discussions are yet in the preliminary stages, the Company believes its combined plan to achieve break-even or better performance with continuing efforts to obtain additional sources of revenue will result in the successful completion of a capital infusion. Any such infusion may involve a reorganization or restructuring of the Company and may, of necessity, result in a substantial dilution of the ownership interest of the Company's current stockholders.

On June 1, 1992 the annual principal payment of $385,000 was made on the Company's Industrial Revenue Bond. The funds necessary to make this payment were advanced to the Company by its bank.

The Company's situation remains very uncertain. The continued success of the break-even cash plan is heavily dependent upon one ANDA product and the bank's continued agreement to not require cash payment of the interest on the Company's short term borrowings. There is no assurance that additional sources of revenue will be obtained or that the Company's currently marketed products will not be subject to adverse market developments. With the bank's collateral substantially depleted as a result of the Company's product recalls and product discontinuations, the best available course of action at this time is deemed to be the continued achievement of break-even cash results in order to gain time in the hope that additional sources of revenue can be established and additional resources can be obtained from other sources.

Beginning in 1990, investigations of various aspects of the Company's business, including its ANDAs, have been conducted by the Company, the FDA and other government agencies. Certain of these investigations have resulted in the voluntary withdrawal of all of the Company's ANDAs (except those for Methylprednisolone and Isoniazid) and related product recalls. At this time, the Company cannot predict the final outcome of the investigations, but it is possible that they may result in further adverse effects upon the Company.

Due to the losses incurred, the Company remains unable to meet the National Association of Securities Dealer's Automated Quotation (NASDAQ) system minimum capital and surplus requirements for listing on the NASDAQ system.

DURAMED PHARMACEUTICALS, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - See Note 6 to the Financial Statements contained in Part I of this Report and see Note J to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Item 6. Exhibits and Report on Form 8-K - (a) Exhibits. None. (b) Reports on Form 8-K. None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DURAMED PHARMACEUTICALS, INC.

Dated: August 12, 1992

by: /s/ E. Thomas Arington
E. Thomas Arington
President, Chairman of the Board
Chief Executive Officer

Dated: August 12, 1992

by: /s/ Timothy J. Holt
Timothy J. Holt
Vice President-Finance, Treasurer
Chief Financial Officer

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OFFICE OF THRIFT SUPERVISION
Washington, D.C. 20552

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Corporation
St. Petersburg, FL

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Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED June 30, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ________ TO ________

OTS Docket Number 5709

Federated Bank, S.S.B.
(Exact name of registrant as specified in its charter)

Wisconsin	39-0856990
(State or other jurisdiction of incorporation or organization)	IRS EMPLOYER IDENT. NO.

2600 North Mayfair Road, Wauwatosa, Wisconsin 53226
(Address of principal executive office) (zip code)

(414) 257-2100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 1992
Common Stock - $.10 Par Value	1,685,120

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FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Financial Condition

	June 30, 1992 (Unaudited)	September 30, 1991
Assets		
Cash	$ 6,094,645	$ 7,100,199
Federal funds and other short-term investments	78,704,158	25,023,007
Portfolio investment securities	30,111,538	32,772,517
Loans receivable, net	235,339,090	308,035,508
Mortgage-backed securities	47,192,872	62,030,059
Foreclosed real estate and real estate subject to foreclosure, net	1,513,162	2,174,081
Real estate held for development and resale, net	800,569	1,736,233
Premises and equipment, net	4,505,148	5,215,610
Federal Home Loan Bank stock, at cost	3,736,300	3,579,100
Accrued interest receivable	2,563,063	3,498,705
Other assets	1,003,422	1,524,860
	$411,563,967	$452,689,879

Liabilities and Stockholders' Equity

	June 30, 1992 (Unaudited)	September 30, 1991
Deposits	$325,759,551	$347,875,381
Advances from Federal Home Loan Bank	33,000,000	43,000,000
Bonds payable	4,259,708	7,664,708
Advance payments by borrowers for property taxes and insurance	11,901,987	18,237,539
Other liabilities	7,871,426	9,213,965
Total liabilities	382,792,672	425,991,593
Stockholders' Equity:		
Preferred stock, $.10 par value; 1,000,000 shares authorized; none outstanding	-	-
Common stock, $.10 par value; 10,000,000 shares authorized; issued and outstanding 1,685,120 shares - 1992; 1,655,280 shares - 1991	168,512	165,528
Additional paid in capital	11,997,864	11,647,753
Retained earnings, substantially restricted	16,604,919	14,885,005
Total stockholders' equity	28,771,295	26,698,286
Total liabilities and stockholders' equity	$411,563,967	$452,689,879

See accompanying notes to unaudited consolidated financial statements.

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1992	1991	1992	1991
Interest income:				
Loans receivable	$6,245,705	$8,221,771	$21,123,414	$25,414,072
Mortgage-backed securities	1,106,745	1,391,180	3,667,253	4,292,725
Portfolio investment securities and other interest	1,009,104	773,753	2,909,961	2,359,522
Total interest income	8,361,554	10,386,704	27,700,628	32,066,319
Interest expense:				
Deposits	4,211,264	5,766,383	14,353,689	17,694,871
Advances from Federal Home Loan Bank	719,293	1,076,501	2,460,532	3,356,360
Other borrowings	–	54,283	–	602,913
Bonds payable	145,905	240,451	530,469	788,077
Total interest expense	5,076,462	7,137,618	17,344,690	22,442,221
Net interest income	3,285,092	3,249,086	10,355,938	9,624,098
Provision for loan losses	125,000	200,000	600,000	775,000
Net interest income after provision for loan losses	3,160,092	3,049,086	9,755,938	8,849,098
Other operating income:				
Deposit account service charges	290,135	368,021	914,810	1,187,313
Gains on sales of assets	981,819	177,684	2,079,212	381,813
Gain on sale of branch	–	–	182,833	–
Insurance commissions	153,793	194,285	487,556	510,800
Miscellaneous	108,345	119,860	321,183	326,391
Total other operating income	1,534,092	859,850	3,985,594	2,406,317
General and administrative expenses:				
Compensation, payroll taxes and fringe benefits	1,518,134	1,314,732	4,293,479	3,846,321
Office occupancy expenses	539,054	572,872	1,630,258	1,678,670
Stationery, communications and other office expenses	599,859	663,185	1,831,326	2,058,337
Marketing	66,435	82,383	256,526	468,418
Data processing	254,692	249,371	770,818	756,198
Deposit account insurance and assessments	215,408	215,882	644,758	638,223
Provision for real estate losses	–	25,000	250,000	25,000
Merger expenses	231,094	–	482,791	–
Total general and administrative expenses	3,424,676	3,123,425	10,159,956	9,471,167
Income before income tax expense and extraordinary item	1,269,508	785,511	3,581,576	1,784,248
Income tax expense	555,000	185,000	1,710,000	339,200
Income before extraordinary item	714,508	600,511	1,871,576	1,445,048
Extraordinary item	–	–	–	39,200
Net income	$714,508	$600,511	$1,871,576	$1,484,248
Earnings per common and common equivalent share – Primary:				
Income before extraordinary item	$0.40	$0.36	$1.05	$0.87
Extraordinary item	–	–	–	0.02
Net income	$0.40	$0.36	$1.05	$0.89
Assuming full dilution:				
Income before extraordinary item	$0.39	$0.36	$1.01	$0.87
Extraordinary item	–	–	–	0.02
Net income	$0.39	$0.36	$1.01	$0.89

See accompanying notes to unaudited consolidated financial statements.

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended June 30,	
	1992	1991
Cash flows from operating activities:		
Net income	$1,871,576	$1,484,248
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	600,000	775,000
Provision for real estate losses	250,000	25,000
Depreciation and amortization	383,993	400,985
Net gain on sales of assets	(2,079,212)	(381,813)
Gain on sale of branch office and deposits	(182,833)	–
Interest capitalized on bonds payable	–	952,437
Decrease (increase) in other assets	521,438	(127,361)
Decrease in accrued interest receivable	935,642	243,774
Decrease in other liabilities	(1,342,539)	(267,181)
Other, net	(5,542)	278,649
Net cash provided by operating activities	952,523	3,383,738
Cash flows from investing activities:		
Proceeds from sales, principal repayments, and maturities of portfolio investment securities	44,640,273	12,427,208
Purchases of portfolio investment securities	(41,979,294)	(12,912,194)
Net decrease in loans receivable	43,202,434	16,430,185
Principal repayments on mortgage–backed securities	12,641,663	4,782,643
Proceeds from sales of mortgage–backed securities	32,055,882	–
Proceeds from sales of real estate	2,784,657	1,973,045
Capital expenditures for real estate	(255,728)	(728,767)
Proceeds from sales of premises and equipment	1,062,943	–
Purchases of premises and equipment	(736,921)	(1,290,728)
Net sale (purchase) of Federal Home Loan Bank stock	(157,200)	2,000
Net cash provided by investing activities	93,258,709	20,683,392

(Continued)

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited), Continued

	Nine Months Ended June 30,	
	1992	1991
Cash flows from financing activities:		
Net decrease in deposits	$ (8,858,799)	$ (1,112,760)
Payments for deposits of branch sold	(13,137,718)	–
Net decrease in short–term borrowings	–	(1,100,000)
Proceeds from advances from Federal Home Loan Bank	–	15,000,000
Payments of advances from Federal Home Loan Bank	(10,000,000)	(18,000,000)
Net decrease in advance payments by borrowers for property taxes and insurance	(6,335,552)	(5,225,579)
Payment on bonds payable	(3,405,000)	(3,743,921)
Dividends paid	(151,661)	–
Exercise of options for purchase of common stock	353,095	–
Net cash used in financing activities	(41,535,635)	(14,182,260)
Net increase in cash and cash equivalents	52,675,597	9,884,870
Cash and cash equivalents at beginning of period	32,123,206	11,035,098
Cash and cash equivalents at end of period	$84,798,803	$20,919,968
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$18,479,679	$23,294,205
Cash paid during the period for income taxes	$ 1,244,575	$ 740,070

Supplemental schedule of noncash investing and financing activities:

The following summarizes significant noncash investing and financing activities not disclosed in the notes to the consolidated financial statements:

Loans receivable satisfied through foreclosure or acquisition of deeds in lieu of foreclosure	$ 1,451,361	$ 2,044,649
Financing of sales of certain foreclosed real estate	$ 287,444	$ 289,364
Mortgage loans securitized as mortgage–backed securities	$28,690,553	$ –

See accompanying notes to unaudited consolidated financial statements.

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 1992 (Unaudited)

(1) Basis of Presentation

The consolidated financial statements include the accounts of Federated Bank, S.S.B. (Federated), and its subsidiaries, Federated Insurance Services Corporation (FISC), Federated Investment Corporation (FIC) and Hopkins Bonding Corporation (HBC). All significant intercompany balances and transactions have been eliminated according to generally accepted accounting principles.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial information. In the opinion of Federated, the accompanying unaudited Consolidated Statements of Financial Condition, Operations and Cash Flows contain all adjustments necessary to present fairly the consolidated financial position of Federated and subsidiaries at June 30, 1992 and September 30, 1991, and the results of their operations for the three months ended June 30, 1992 and 1991, and the results of their operations and cash flows for the nine months ended June 30, 1992 and 1991.

(2) Advances From Federal Home Loan Bank

A summary of advances from the Federal Home Loan Bank of Chicago follows:

	June 30, 1992
Advances from Federal Home Loan Bank of Chicago:	
Adjustable rate advances due:	
November, 1992	$ 5,000,000
Fixed rate advances:	
8.60%, due November, 1992	3,000,000
8.68%, due February, 1993	5,000,000
7.75%, due August, 1993	5,000,000
7.80%, due November, 1993	5,000,000
8.88%, due February, 1994	5,000,000
8.25%, due October, 1999	5,000,000
	$33,000,000

All Federal Home Loan Bank stock is pledged as collateral for the above advances. Additionally, first mortgage loans with unpaid principal balances of approximately $56,100,000 were pledged as collateral on these advances at June 30, 1992.

(3) Earnings Per Share

Primary and fully diluted earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Stock options are regarded as common stock equivalents and are therefore considered in both primary and fully diluted earnings per share calculations. In connection with the previously announced letter of intent, Federated granted Firstar Corporation (Firstar) an option to purchase newly issued shares of Federated stock equal to 9.9% of Federated common stock at $12 per share (up to 181,878 shares), upon the occurrence of certain events.

These options have been included in the fully diluted earnings per share calculation. Common stock equivalents are computed using the treasury stock method. The weighted average number of common and common equivalent shares used in the primary and fully diluted earnings per share calculations are summarized as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1992	1991	1992	1991
Weighted average number of common and common equivalent shares:				
Primary earnings per share	1,786,658	1,655,280	1,780,828	1,655,280
Fully diluted earnings per share	1,854,726	1,655,280	1,850,585	1,655,280

4) Pending Merger

On January 22, 1992 Federated and Firstar announced that they had signed a definitive Agreement and Plan of Reorganization (the Agreement) calling for the merger of Federated with Firstar's lead bank, First Wisconsin National Bank of Milwaukee. The terms of the Agreement provide for each outstanding share of Federated Common Stock to be converted into the right to receive $19.71 (subject to certain adjustments), in either cash or shares of Firstar Common Stock or a combination of the two, provided that no less than 55% of the aggregate amount of the transaction be paid in the form of Firstar Common Stock. An exchange ratio for Firstar Common Stock will be determined immediately prior to the closing of the transaction by averaging the previous five trading days' composite closing prices of Firstar Common Stock.

On August 3, 1992, at a Special Meeting of shareholders of Federated, the shareholders approved the Agreement and related Merger Agreement. The exchange price of the Federated shares has also been adjusted from $19.71 per share to $19.74 per share (subject to such further adjustments as may be called for under the Agreement). The necessary applications for the merger have been approved by the various regulatory agencies. Completion of the merger is subject to regulatory approvals and is anticipated to occur by mid-September.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Federated's principal sources of funds consist of amortization and prepayment of loans, savings and checking deposits, sales of participating interests in real estate loans, borrowings from the FHLB System and other sources, and, to a lesser extent, fees, service charges and the sale of student loans to the SLMA. As a member of the FHLB System, Federated is subject to regulations which require the maintenance of a daily average balance of liquid assets equal to a percentage of net withdrawable savings plus borrowings payable in one year or less. The required liquidity ratio and amount for Federated at June 30, 1992 , were 5.0% and $17,466,000, respectively. Federated's actual liquidity ratio and amount at June 30, 1992, were 31.7% and $110,746,000, respectively.

OTS regulations require that Federated meet certain tangible, core and risk-based capital requirements. Tangible capital generally consists of stockholders' equity less certain intangible assets. Core capital generally consists of stockholders' equity. The risk-based capital requirements presently address credit risk related to both recorded assets and off-balance sheet commitments and obligations. As a state-chartered savings institution, Federated is also subject to the minimum regulatory capital requirement of the State of Wisconsin.

The following table reconciles stockholders' equity under generally accepted accounting principles (GAAP) and regulatory capital and summarizes Federated's capital ratios and the capital ratios required by regulation at June 30, 1992:

		Regulatory			
	Stockholders' Equity	Tangible Capital	Core Capital	Risk-Based Capital	State of Wisconsin
GAAP capital	$28,771,000	$28,771,000	$28,771,000	$28,771,000	$28,771,000
Non-allowable capital items		–	–	–	–
Non-allowable assets:					
Investment in subsidiaries		(230,000)	(230,000)	(230,000)	–
Marketable equity securities		–	–	(15,000)	–
Land loans and real estate investments		–	–	–	–
Additional capital items:					
General loss allowances		–	–	1,985,000	2,048,000
Regulatory capital, as adjusted		$28,541,000	$28,541,000	$30,511,000	$30,819,000
Actual regulatory capital ratios		6.95%	6.95%	14.24%	7.49%
Current capital requirements:					
Total regulatory assets		$410,822,000	$410,822,000	$ N/A	$411,564,000
Risk-weighted assets		N/A	N/A	214,258,000	N/A
Required capital percent		1.50%	3.00%	7.20%	5.00%
Required capital		6,162,330	12,324,660	15,426,576	20,578,200
Excess capital		$ 22,378,670	$ 16,216,340	$15,084,424	$ 10,240,800

Federated is in compliance with the prescribed minimum levels established by the OTS regulations and Wisconsin law at June 30, 1992.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, most of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation, although inflation levels tend to affect interest rates. Interest rates generally move in the same direction as the cost of goods and inflation, but do not necessarily move in the same magnitude, since such costs are affected by inflation and other economic forces. In the current interest rate environment, the maturity structure and liquidity of Federated's assets and liabilities are critical to the maintenance of acceptable performance levels.

Financial Condition

Total consolidated assets decreased approximately 9% or $41 million to $412 million at June 30, 1992 from $453 million at September 30, 1991. The net decrease in total consolidated assets resulted from the seasonal payout of escrowed funds for real estate taxes, the previously reported sale of branch deposits, deposit outflows and the repayment of Federal Home Loan Bank advances.

With the significant drop in market interest rates, Federated's loan portfolio experienced sharply increasing amounts of prepayments as borrowers refinanced their mortgage loans. Total mortgage and consumer loan originations reached $116 million for the nine months ended June 30, 1992, an increase of 74% when compared to the previous year. Management continued its strategy of selling most fixed-rate mortgages originated, selling approximately $113 million of mortgage loans during the nine months ended June 30, 1992. This strategy is intended to limit the inherent interest rate risk which exists in long-term, fixed-rate loans. The loans held for sale are not considered significant at June 30, 1992.

During the first nine months of fiscal 1992, proceeds from loan and mortgage-backed security prepayments and sales were temporarily placed in short-term investments in anticipation of and preparation for the merger. This largely accounts for the significant changes in these two investment accounts.

Real estate held for development and resale decreased by $936,000 or 54% to $801,000 at June 30, 1992 due to sales which resulted in nominal losses and provisions for losses.

Premises and equipment decreased $710,000 or 14% to $4.5 million at June 30, 1992, primarily from the sale of a portion of the land previously acquired in Menomonee Falls, Wisconsin for a combination home office, operations center and branch office. Management is re-evaluating the use of the remaining land in light of the recently announced merger with Firstar.

Deposits decreased by $22 million to $326 million at June 30, 1992. The previously reported sale of $13 million of branch deposits to another financial institution and deposit outflows of $9 million were the causes for the decline. Management anticipates that deposit outflows will continue as depositors seek higher rates of return in alternative investments and as Federated continues to prepare for its merger with Firstar, whose savings products are generally priced at lower rates than Federated's.

Advance payments by borrowers for taxes and insurance declined $6 million as a result of the seasonal payment in December of escrowed property taxes.

Results of Operations

Net income amounted to $715,000 and $1,872,000 for the three and nine months ended June 30, 1992, respectively, compared to $601,000 and $1,484,000 for the same periods in fiscal 1991, respectively. The increase in net income for fiscal 1992 was significantly impacted by the increase in net interest income and gain on sales of loans. Net income as a percentage of average assets amounted to 0.68% and 0.57% for the three and nine months ended June 30, 1992, respectively, compared to 0.53% and 0.43% for the same periods in fiscal 1991, respectively.

Net interest income totalled $3.3 million for the quarter ended June 30, 1992, an increase of $36,000 or 1%, from the same quarter in 1991. The net interest spread increased to 2.99% for the quarter ended June 30, 1992 as compared to 2.69% for the same period in 1991. The significant drop in market interest rates impacted Federated's yield on assets and cost of funds. The yield on assets dropped 122 basis points while the cost of funds dropped 152 basis points for the quarter ended June 30, 1992 versus the corresponding quarter of 1991. The net interest margin was 3.24% for the quarter ended June 30, 1992, since interest earning assets exceeded interest bearing liabilities by 6%.

Net interest income totalled $10.4 million for the nine months ended June 30, 1992, an increase of $732,000 or 8%, from the same period in 1991. The net interest spread increased to 3.02% for the nine months ended June 30, 1992 as compared to 2.55% for the same period in 1991. The significant drop in market interest rates impacted Federated's yield on assets and cost of funds. The yield on assets dropped 79 basis points while the cost of funds dropped 126 basis points for the nine months ended June 30, 1992 versus the corresponding period of 1991. The net interest margin was 3.28% for the nine months ended June 30, 1992 versus 2.84% for the same period in 1991.

Total other operating income amounted to $1.5 million and $4.0 million for the three and nine months ended June 30, 1992, respectively, and increased 78% and 66% over the same periods in 1991, respectively. Fiscal 1992 has benefitted most significantly from the gains on sales of fixed-rate mortgage loans, and the non-recurring gain of $183,000 from the sale of $13 million of deposits and a branch facility, recorded in the first quarter of fiscal 1992. Deposit account service charges have declined throughout fiscal 1992 as a result of deposit outflows and due to depositors maintaining more account relationships to avoid service charges.

Management regularly reviews the loan and real estate portfolios for credit quality and establishes valuation allowances for potential losses. In addition, management provides for estimated losses in the loan and real estate portfolios in excess of those currently identifiable. Pursuant to management's intent to maintain adequate allowances for estimated losses, Federated recorded provisions totalling $850,000 for loan and real estate losses during the first nine months of fiscal 1992. Management believes that the allowances for losses on loans and real estate are adequate. While management uses available information to recognize losses on loans and real estate, future additions to the allowances may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Federated's allowances for losses. Such agencies may require Federated to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

General and administrative expenses totalled $3.4 million and $10.2 million for the three and nine months ended June 30, 1992, respectively, and included $231,000 and $733,000 for the real estate loss provision plus merger related costs incurred during the respective periods in fiscal 1992. Exclusive of these amounts, the general and administrative expenses would have totalled $3.2 million and $9.4 million for the three and nine months ended June 30, 1992, respectively, nearly unchanged as compared to the same periods in 1991. Personnel costs increased during fiscal 1992 primarily due to accruals for profit based incentive compensation as a result of fiscal 1992's increased net income versus the same period of fiscal 1991. Marketing costs decreased during fiscal 1992 due to promotions run in 1991 that were not repeated. Occupancy and administrative costs were also lower during fiscal 1992 than in the comparable periods of the preceding year.

The effective tax rate for the nine months ended June 30, 1992 increased to approximately 48%. During fiscal 1992 Federated was limited to the amount of the Bad Debt Deduction allowable for the income tax provision presented in the Consolidated Statements of Operations. This was due to the reduction in eligible loans from fiscal 1991. Additionally, the income tax expense recorded in fiscal 1991 was impacted by an adjustment to the tax basis Bad Debt Reserve due to the merger with Hopkins Savings and Loan . The adjustment resulted in a reduction of income tax expense, for the three and nine months ended June 30, 1991 totalling $44,250 and $132,750, respectively.

Nonperforming Assets

Nonperforming assets of Federated have resulted primarily from declining commercial real estate values and the impact of the recent recession creating financial difficulties for borrowers. Such assets at June 30, 1992, totalled $4,562,000 compared to $6,539,000 at September 30, 1991, a decline of 30%. Loans past due 60 days or more were $638,000 and $933,000 at June 30, 1992, and September 30, 1991, respectively. Only one significant item is included in these totals. That commercial real estate loan, to a borrower that filed under Chapter 11 of the United States Bankruptcy Code, has been restructured in accordance with the reorganization plan of the borrower that was approved by the Bankruptcy Court. Management does not believe it will incur a material loss on this credit in excess of amounts previously reserved. The loan, which totals approximately $2,000,000 remains in nonaccrual status until such time as a stable payment history is again established.

Management is unaware of any significant loans, not included below, where there may be serious doubts as to the ability of the borrower(s) to comply with present loan terms.

Nonperforming Assets

	June 30, 1992	September 30, 1991
Nonaccrual loans:		
One-to-four family real estate loans	$ 944,000	$1,571,000
Commercial real estate loans	2,021,000	2,694,000
Consumer loans	84,000	100,000
Total nonaccrual loans	3,049,000	4,365,000
Loans past due 90 days or more and still accruing interest	—	—
Restructured loans	—	—
Total nonperforming loans	3,049,000	4,365,000
Foreclosed real estate and real estate subject to foreclosure, net (1)	1,513,000	2,174,000
Total nonperforming assets	$4,562,000	$6,539,000
Nonperforming loans as a % of loans	1.30%	1.42%
Nonperforming assets as a % of assets	1.11%	1.44%
Total loan loss allowance	$2,481,000	$2,521,000
Total loan loss allowance as a % of nonperforming loans	81.4%	57.8%
Total loan loss allowance as a % of total loans	1.00%	0.79%
Delinquent mortgage loans (2)	$ 638,000	$ 933,000
Delinquent mortgage loans as a % of mortgage loans	0.30%	0.33%

(1) Net of loss allowance totalling $206,600 at June 30, 1992 and $765,000 at September 30, 1991.

(2) Nonaccruing loans 60 days or more delinquent.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Reported in Registrant's Form 10-Q for the quarter ended December 31, 1991, and subsequent to June 30, 1992, a Special Meeting of Stockholders of Federated Bank, S.S.B. ("Special Meeting") was held on August 3, 1992.

(b) At the Special Meeting, the shareholders approved a motion to approve and adopt the Agreement and Plan of Reorganization and Merger Agreement.

FOR	1,273,009
AGAINST	3,318
NOT VOTING	408,793

At the Special Meeting, the shareholders approved a motion to amend Article 10 of the Articles of Incorporation of Federated to allow Firstar to make the offer to acquire more than 10% of the common stock of Federated.

FOR	1,272,883
AGAINST	4,093
NOT VOTING	408,144

At the Special Meeting, the shareholders approved a motion to amend Article 13 of the Articles of Incorporation of Federated to allow Firstar to exercise all of its rights under the Investment Agreement dated as of September 25, 1991.

FOR	1,272,229
AGAINST	3,197
NOT VOTING	409,694

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

The following exhibit, filed herewith or incorporated by reference herein, is incorporated by reference to this Form 10-Q and made a part hereof.

23. Press release regarding Special Meeting dated August 3, 1992.

(b) Report on Form 8-K

Reported in Registrant's Form 10-Q for the quarter ended December 31, 1991, and the following report on Form 8-K has been filed by the registrant during the quarter ended June 30, 1992.

1. Form 8-K dated as of January 22, 1992 and filed with the Office of Thrift Supervision on May 21, 1992.

Item Reported:

Item 5: Other events. In furtherance of the Agreement and Plan of Reorganization of January 22, 1992, between Registrant and Firstar, the Annual Report on Form 10-K for the year ended December 31, 1991 and Form 10-Q for the quarter ended March 31, 1992 of Firstar were filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federated Bank, S.S.B.
Registrant

Date: August 10, 1992

Robert B. Pieters

Robert B. Pieters
President and Chief Executive Officer

Date: August 10, 1992

Brian B. Blank

Brian B. Blank
Vice President and Chief Financial Officer/Treasurer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR QUARTERLY PERIOD ENDED June 30, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE CODE 1934 FOR QUARTERLY PERIOD ENDED ________________

Commission File Number 0-10161

FIRST BANCORPORATION OF OHIO
(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of incorporation or organization)

34-1339938
(I.R.S. employer identification no.)

106 South Main Street, Akron, Ohio
(Address of principal executive offices)

44308
(Zip code)

(216) 384-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

12,578,764 shares of Common stock, Par Value $3.33 1/3 as of June 30, 1992.

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FIRST BANCORPORATION OF OHIO

PART I - FINANCIAL STATEMENTS

ITEM 1 FINANCIAL STATEMENTS

The following statements included in the quarterly unaudited report to shareholders are incorporated by reference:

Consolidated Balance Sheets as
of June 30, 1992, December 31, 1991
and June 30, 1991

Consolidated Statements of Income
for the six months ended
June 30, 1992 and 1991

Consolidated Statements of Changes in
Shareholders' Equity for the year
ended December 31, 1991 and for the
six months ended June 30, 1992

Consolidated Statements of Cash Flows
for the six months ended
June 30, 1992 and 1991

FIRST BANCORPORATION OF OHIO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year Ended December 31, 1991 and
Six Months Ended June 30, 1992

(In thousands)

	Common Stock	Surplus	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 1990	$41,848	39,611	226,467	307,926
Net Income	-	-	39,558	39,558
Cash dividends ($1.61 per share)	-	-	(20,137)	(20,137)
Stock options exercised	23	63	-	86
Balance at December 31, 1991	41,871	39,674	245,888	327,433
Net Income	-	-	24,350	24,350
Cash dividends ($ .81 per share)	-	-	(10,188)	(10,188)
Stock options exercised	67	294	-	361
Balance at June 30, 1992	$41,938	39,968	260,050	341,956

FIRST BANCORPORATION OF OHIO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	(In thousands except per share data)			
	Quarter Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Interest income:				
Interest and fees on loans	$52,520	54,758	105,444	109,863
Interest and dividends on securities:				
Taxable	18,640	19,625	37,840	38,595
Exempt from Federal income taxes	2,124	2,505	4,274	5,281
Interest on Federal funds sold	729	2,018	1,498	4,813
Total interest income	74,013	78,906	149,056	158,552
Interest expense:				
Interest on deposits:				
Demand-interest bearing	2,029	2,429	4,046	4,864
Savings	9,563	11,673	18,906	23,447
Certificates and other time deposits	16,856	25,723	36,310	53,103
Interest on securities sold under agreements to repurchase and other borrowings	1,104	1,790	2,210	3,715
Total interest expense	29,552	41,615	61,472	85,129
Net interest income	44,461	37,291	87,584	73,423
Provision for possible loan losses	4,097	2,008	8,261	4,064
Net interest income after provision for possible loan losses	40,364	35,283	79,323	69,359
Other income:				
Trust department income	2,274	2,180	4,460	4,148
Service charges on depositors' accounts	4,773	4,104	9,547	8,151
Credit card fees	1,820	1,702	3,518	3,124
Securities gains-net	526	54	928	207
Other operating income	4,115	2,828	6,992	5,095
Total other income	13,508	10,868	25,445	20,725
	53,872	46,151	104,768	90,084
Other expenses:				
Salaries, wages, pension and employee benefits	17,751	15,408	34,461	30,253
Net occupancy expense	2,518	2,482	5,371	4,952
Equipment expense	2,518	2,511	5,047	5,219
Other operating expense	13,801	12,081	25,026	23,519
Total other expenses	36,588	32,482	69,905	63,943
Income before Federal income taxes	17,284	13,669	34,863	26,141
Federal income taxes	5,162	3,587	10,513	6,848
Net income	$12,122	10,082	24,350	19,293
Per share data based on average number of shares outstanding:				
Net income	.96	.81	1.93	1.54
Dividends paid	.41	.40	.81	.80
Weighted average number of shares outstanding	12,575,599	12,554,112	12,570,618	12,554,112

FIRST BANCORPORATION OF OHIO AND SUBSIDIARIES
AVERAGE CONSOLIDATED BALANCE SHEETS

	Quarters				
	1992		1991		
	2nd	1st	4th	3rd	2nd
ASSETS					
Investment securities	$1,115,278	1,110,393	1,100,033	1,094,035	1,095,688
Federal funds sold	73,771	77,620	119,185	100,808	141,906
Loans less unearned income	2,269,721	2,241,681	2,232,797	2,200,201	2,147,031
Less allowance for possible loan losses	26,116	25,282	25,472	25,127	24,602
Net loans	2,243,605	2,216,399	2,207,325	2,175,074	2,122,429
Total earning assets	3,432,654	3,404,412	3,426,543	3,369,917	3,360,023
Cash and due from banks	178,969	182,104	182,412	176,670	170,319
Premises and equipment, net	68,230	69,220	68,089	68,189	68,165
Accrued interest receivable and other assets	78,853	80,352	78,765	85,016	89,378
	$3,758,706	3,736,088	3,755,809	3,699,792	3,687,885
LIABILITIES					
Deposits:					
Demand-non-interest bearing	$ 534,428	506,486	507,437	481,760	477,680
Demand-interest bearing	266,464	259,098	246,896	236,916	235,280
Savings	1,117,105	1,073,535	1,030,034	998,877	985,614
Certificates and other time deposits	1,324,945	1,388,734	1,451,092	1,473,960	1,489,470
Total deposits	3,242,942	3,227,853	3,235,459	3,191,513	3,188,044
Securities sold under agreements to repurchase and other borrowings	139,030	137,017	156,038	149,112	143,380
Total funds	3,381,972	3,364,870	3,391,497	3,340,625	3,331,424
Accrued taxes, expenses and other liabilities	38,276	39,952	39,754	40,184	42,526
Total liabilities	3,420,248	3,404,822	3,431,251	3,380,809	3,373,950
SHAREHOLDERS' EQUITY	338,458	331,266	324,558	318,983	313,935
	$3,758,706	3,736,088	3,755,809	3,699,792	3,687,885
RATIOS					
Net income as a percentage of:					
Average assets	1.30%	1.32%	1.07%	1.08%	1.10%
Average shareholders' equity	16.40%	16.85%	12.40%	12.58%	12.38%

Exhibit 20

FIRST BANCORPORATION OF OHIO AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)

	June 30, 1992	December 31, 1991	June 30, 1991
ASSETS			
Investment securities	$1,099,838	1,119,326	1,114,062
Federal funds sold	63,570	81,863	59,468
Loans less unearned income	2,284,514	2,248,377	2,176,217
Less allowance for possible loan losses	26,790	24,829	24,659
Net loans	2,257,724	2,223,548	2,151,558
Total earning assets	3,421,132	3,424,737	3,325,088
Cash and due from banks	176,080	190,682	197,909
Premises and equipment, net	67,735	69,805	67,981
Accrued interest receivable and other assets	78,256	80,515	90,965
	$3,743,203	3,765,739	3,681,943
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand-non-interest bearing	$ 544,306	530,902	493,903
Demand-interest bearing	259,378	259,238	232,253
Savings	1,132,671	1,048,414	998,290
Certificates and other time deposits	1,300,588	1,429,265	1,464,484
Total deposits	3,236,943	3,267,819	3,188,930
Securities sold under agreements to repurchase and other borrowings	133,159	137,058	139,834
Total funds	3,370,102	3,404,877	3,328,764
Accrued taxes, expenses, and other liabilities	31,165	33,429	35,997
Total liabilities	3,401,267	3,438,306	3,364,761
Shareholders' equity:			
Series preferred stock, without par value; authorized and unissued 1,000,000 shares	-	-	-
Common stock, par value $3.33 1/3 per share: 20,000,000 shares; issued 12,578,764, 12,558,759 and 12,554,112 shares, respectively	41,938	41,871	41,848
Surplus	39,968	39,674	39,611
Retained earnings	260,050	245,888	235,723
Total shareholders' equity	341,956	327,433	317,182
	$3,743,203	3,765,739	3,681,943

FIRST BANCORPORATION OF OHIO

PART II - OTHER INFORMATION

ITEM 6 EXHIBITS AND REPORTS FORM 8-K

A copy of the Quarterly Report for the periods covered by this Form 10-Q as furnished to the shareholders is included in this filing as Exhibit 20.

No Form 8-K was filed during the period for which this report is filed.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST BANCORPORATION OF OHIO
(registrant)

Date: August 12, 1992

By Gary J. Elek
signature
Gary J. Elek
Senior Vice President/Treasurer
Authorized to sign for the
Corporation

Date: August 12, 1992

By Gary J. Elek
signature
Gary J. Elek
Senior Vice President/Treasurer
Principal Financial Officer and
Principal Accounting Officer

Management has continued to maintain the allowance for possible loan losses at a level adequate to provide for risk inherent in the loan portfolio.

Deposits

The following schedule illustrates the change in composition of the average balances of deposits and average rates paid for the noted periods.

(Dollars in thousands)

	Six Months Ended and Year Ended					
	June 30, 1992		December 31, 1991		June 30, 1991	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Demand deposits-non-interest bearing	$ 534,428	-	479,977	-	477,680	-
Demand deposits-interest bearing	266,464	3.05%	236,589	4.17%	235,280	4.14%
Savings deposits	1,117,105	3.43	997,661	4.68	985,614	4.75
Certificates and other time deposits	1,324,945	5.1	1,477,992	6.76	1,489,470	6.93
	$3,242,942	3.52	3,192,219	4.90	$3,188,044	5.01

The following table summarizes the certificates and other time deposits in amounts of $100,000 or more as of June 30, 1992, by time remaining until maturity.

	Amount
Maturing in:	
Under 3 months	$94,482
3 to 12 months	31,546
Over 12 months	8,177
	$134,205

Asset Quality

Total non performing assets (non-accrual and restructured and other real estate owned) amounted to $35,242,000 at June 30, 1992 or 1.54% of total loans outstanding. At December 31, 1991 non performing assets equaled 1.52% of total loans or $34,190,000 compared to 1.77% or $38,669,000 at June 30, 1991.

	(In thousands)		
	June 30, 1992	December 31, 1991	June 30, 1991
Non-accrual loans	$22,194	19,716	20,526
Restructured loans	5,820	6,522	11,600
Other real estate owned	7,228	7,952	6,543
	$35,242	34,190	38,669
Past due loans (90 days or more)	$ 9,271	5,808	9,714
Percent of total loans at the end of period	1.54%	1.52%	1.77%

As of this report, there were no loans outstanding which in total could be considered a concentration of lending in any particular industry or group of industries. Most of the Corporation's business activity is with customers located within the state of Ohio.

Allowance for Loan Losses

The allowance for possible loan losses at June 30, 1992 amounted to $26,790,000 or 1.17% of total loans outstanding compared to $24,829,000 or 1.10% at December 31, 1991 and $24,659,000 at June 30, 1991 or 1.13%.

	(In thousands)		
	June 30, 1992	December 31, 1991	June 30, 1991
Balance at beginning of year	$24,829	23,563	23,563
Provision charged to operating expenses	8,261	11,373	4,064
Loans charged off	7,970	13,192	4,688
Recoveries on loans previously charged off	1,670	3,085	1,720
	$26,790	24,829	24,659
Net charge offs as a percent of average loans	.56%	.46%	.28%
Allowance for possible loan losses:			
As a percent of loans outstanding at end of period	1.17%	1.10%	1.13%
As a multiple of net charge offs	2.11X	2.46X	4.12X

FINANCIAL CONDITIONS

Investment Securities

Investment securities continue to be a source of liquidity in the funding of loan growth. The schedule below shows the short length of maturities, with 21.6% of total securities due within one year.

Maturities of the Investment Securities

	(In thousands)		
Remaining Maturities	June 30, 1992	December 31, 1991	June 30, 1991
One year or less	$ 237,312	259,482	211,237
Over one year to five years	487,573	517,983	563,234
Over five years	374,953	352,373	339,591
	$1,099,838	1,129,838	1,114,062

The carrying value of investment securities pledged to secure trust and public deposits and for purposes required or permitted by law amounted to approximately $490,468,000 at June 30, 1992, $527,139,000 at December 31, 1991 and $497,753,000 at June 30, 1991.

The increase in securities with remaining maturities over five years reflected in the foregoing schedule, is a result of the Corporation's acquisition of mortgage backed securities which is part of a strategy to maximize future earnings. While the maturities of these mortgage backed securities are beyond five years these instruments include interest rate adjustable securities, reducing the interest rate risk associated with longer term investments, and principal payments reducing the average lives.

Loans

Total loans outstanding at June 30, 1992 amounted to $2,284,514,000 compared to $2,248,377,000 at December 31, 1991 and $2,176,217,000 at June 30, 1991. Loan demand throughout the second quarter of 1992 continued to show improvement compared to prior periods and is expected to improve throughout the remainder of 1992. The loan to deposit ratio at June 30, 1992 equaled 70.6% compared to 68.8% and 68.2% at December 31, 1991 and June 30, 1991, respectively.

Non Interest Income

Non interest income for the quarter ended June 30, 1992 was $13,508,000 compared to $10,868,000 for the same period one year ago, an increase of 24.3%. For the six month period non interest income increased 22.8% from $20,725,000 in 1991 to $25,445,000 in 1992.

Service charges on depositors' accounts increased 17.1% or $1,396,000, other income increased 37.2%. Trust fees showed growth of 7.5% or $312,000, while credit card fees increased 12.6% compared to the first six months of last year.

Non Interest Expense

Non interest expense was $36,588,000 for the second quarter of 1992 compared to $32,482,000 for the same quarter of 1991, an increase of 12.6%. Non interest expense for the six months ended June 30, 1992 totaled $69,905,000 compared to $63,943,000 in 1991, an increase of 9.3%.

Salaries and benefits in 1992 represented 49.3% of the first six months total operating expenses compared to 47.3% in 1991. Salaries and benefits increased 13.9% compared to 1991, occupancy expenses 8.5%, equipment expense was down 3.3%, while other expenses increased 6.4%. Operating expenses for the quarter ended June 30, 1992 equaled 3.91% of total average assets compared to 3.39% in 1991.

Management is of the opinion that all necessary adjustments have been made to the financial statements in order to fairly present the results of operations of the Corporation for the six month periods ended June 30, 1992 and 1991.

Net Interest Margin

The net interest margin, net interest income FTE divided by average earning assets, is affected by changes in the level of earning assets, the proportion of earning assets funded by non-interest bearing liabilities, the interest rate spread, and changes in the corporate tax rates. A meaningful comparison of the net interest margin requires an adjustment for the changes in the statutory Federal income tax rate noted above. The schedule below shows the relationship of the tax equivalent adjustment and the net interest margin.

Net Interest Margin (In thousands)

	Quarter Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Net interest income per financial statements	$44,461	37,291	87,584	73,423
Tax equivalent adjustment	1,460	1,788	2,949	3,732
Net interest income-FTE	45,921	39,079	90,533	77,155
Average Earning Assets	3,432,654	3,360,023	3,418,533	3,346,525
Net Interest Margin	5.38%	4.67%	5.32%	4.65%

The Tax Reform Act of 1989 reduced the tax benefit available to banks acquiring tax exempt assets which has resulted in the reduction of the tax-equivalent adjustment since the Act's adoption. The impact of this change can be noted in the continued reduction of the tax equivalent adjustment in both the quarter and six month period. The reduced tax equivalent adjustment was 2 basis points for the quarter and 5 basis points for the six month period compared to the same periods one year ago.

Average loans outstanding increased 5.7% to $2,269,721,000 compared to $2,147,031,000 in 1991. Average loans outstanding represent 66.1% of average earning assets compared to 63.9% in 1991, a reflection of an improved loan demand experienced in the second quarter of 1992.

Certificates and other time deposits have decreased from 52.2% of total interest bearing funds in 1991 to 45.2% in the second quarter of 1992, while average savings deposits increased from 34.5% in the second quarter of 1991 to 38.1% in the respective period in 1992. Interest bearing deposits increased from 8.2% to 9.1% of interest bearing funds and other borrowings dropped from 5.0% to 4.7% compared to the second quarter a year ago.

Interest bearing liabilities funded 65.3% of average earning assets for the second quarter of 1992 compared to 85.7% one year ago. Maximizing the use of non interest liabilities helps reduce the cost of funds, thus improving the net interest margin.

a result of the increase in investment securities and loans outstanding while Federal funds sold were lower. However, lower market interest rates resulted in a decrease of $7,794,000 for an net decrease in interest income FTE of $5,221,000 or 6.5%. For the six month period ended June 30, 1992 the increase in earning assets along with the continued shift from securities to loans accounted for an increase in interest income FTE of $5,422,000; a lower interest rate environment reduced the above noted increase by $15,701,000 for a net decrease in interest income FTE of $10,279,000.

Changes in Net Interest Differential -
Fully-Tax Equivalent Rate/Volume Analysis
(Dollars in thousands)

	Quarters ended June 30, 1992 and 1991			Six months ended June 30, 1992 and 1991		
	Increase (Decrease) Interest Income/Expense			Increase (Decrease) Interest Income Expense		
	Volume	Yield Rate	Total	Volume	Yield Rate	Total
INTEREST INCOME						
Investment securities	$ 382	(1,883)	(1,501)	1,622	(3,766)	(2,144)
Loans	2,864	(5,295)	(2,431)	5,439	(10,259)	(4,820)
Federal funds sold	(673)	(616)	(1,289)	(1,640)	(1,675)	(3,315)
Total interest income	2,573	(7,794)	(5,221)	5,421	(15,700)	(10,279)
INTEREST EXPENSE						
Interest on deposits:						
Demand-interest bearing	237	(637)	(400)	481	(1,299)	(818)
Savings	1,126	(3,236)	(2,110)	1,976	(6,517)	(4,541)
Certificates and other time deposits	(2,093)	(6,774)	(8,867)	(3,680)	(13,113)	(16,793)
Federal funds purchased, securities sold under agreements to repurchase and other borrowings	(35)	(651)	(686)	(64)	(1,441)	(1,505)
Total interest expense	(765)	(11,298)	(12,063)	(1,287)	(22,370)	(23,657)
Net interest income	$3,338	3,504	6,842	6,708	6,670	13,378

Lower market interest rates continued to have a significant impact on interest expense for both the quarter and six month periods ended June 30, 1992. For the quarter, lower interest rates reduced interest expense by $11,298,000 while a decrease in the volume of certificates of deposits offset by increases in savings and demand-interest bearing resulted in an overall decrease in interest expense of $765,000 for a net decrease of $12,063,000. For the six month period lower interest rates accounted for a $22,370,000 decrease in interest expense while lower volumes accounted for a decrease of $1,287,000, for a total decrease of $23,657,000.

On a per share basis, net income for the quarter ended June 30, 1992 was $.96 per share compared to $.81 per share one year ago, a difference of $.15 per share. Net income for the six months ended June 30, 1992 was $1.93 compared to 1991's per share total of $1.54. The components of change in per share income for the quarters ended June 30, as well as the six months ended June 30, 1992 and 1991 are summarized in the following table.

Changes in Earnings per Share

	Quarter Ended June 30, 1992	Six Months Ended June 30, 1992
Net income for the quarter and six months ended June 30, 1991	$ .81	1.54
Increases (decreases) attributable to:		
Net interest income-taxable equivalent	.54	1.06
Provision for possible loan loss	(.17)	(.33)
Other income	.21	.37
Other expenses	(.33)	(.48)
Federal income taxes-taxable equivalent	(.10)	(.23)
Net change in net income	.15	.39
Net income	$.96	$1.93

Net Interest Income

Net interest income, the Corporation's principal source of earnings, is the difference between the interest income generated by earning assets (primarily loans and investment securities) and the total interest paid on interest bearing funds (deposits and other borrowings). For the purpose of this discussion, net interest income is presented on a fully-taxable equivalent (FTE) basis, to provide a comparison among types of interest earning assets. Interest on tax-free securities and tax-exempt loans has been restated as if such interest was taxed at the statutory Federal income tax rate of 34%, adjusted for the non-deductible portion of interest expense incurred to acquire the tax-free assets.

Net interest income FTE for the quarter ended June 30, 1992 was $45,921,000 compared to $39,079,000 for the same period one year ago, an increase of $6,842,000 or 17.5%. For the six months ended June 30, 1992, net interest income FTE increased $13,378,000 to $90,533,000 from $77,155,000 a year ago, an increase of 17.3%. As summarized in the schedule below, the increase in total interest income FTE of $2,573,000 for the quarter ended June 30, 1992, was

RESULTS OF OPERATIONS

First Bancorporation of Ohio's net income for the quarter ended June 30, 1992 was $12,122,000 compared to $10,082,000 for the same period one year ago. Net income for the second quarter of 1992 increased 20.2% compared to the second quarter of 1991. Earnings for the six months ended June 30, 1992 were $24,350,000 an increase of 26.2% compared to 1991's $19,293,000.

The results for both the three month period as well as the six month period ended June 30, 1992 were largely the affect of lower market interest rates which significantly reduced the Corporation's interest expense and is discussed later in this report.

Return on average assets equaled 1.30% for the second quarter of 1992 compared to 1.10% for the same quarter one year ago. The second quarter of 1992 return on average equity was 14.40%. For the six months ended June 30, 1992 the return on average assets equaled 1.31% compared to 1.06% one year ago. Return on average equity equaled 14.62% for the first six months of 1992 compared to 12.47% in 1991.

The Corporation's performance, as measured by return on average equity, is significantly affected by its strong capital base which provides a measure of safety to shareholders and depositors.

FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Average Consolidated Balance Sheet, Fully-tax Equivalent Interest Rates and Interest Differential(Dollars in thousands)

	Quarters ended June 30,			Year ended December 31,			Quarters ended June 30,		
	1992			1991			1991		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
Investment securities	$ 1,115,278	21,761	7.83%	1,084,437	92,423	8.52%	1,095,688	23,262	8.52%
Federal funds sold	73,771	729	3.96%	133,701	7,910	5.92%	141,906	2,018	5.70%
Loans, net of unearned income	2,269,721	52,983	9.36%	2,179,130	222,174	10.20%	2,147,031	55,414	10.35%
Less allowance for possible loan losses	26,116			24,799			24,602		
Net loans	2,243,605	52,983	9.47%	2,154,331	222,174	10.31%	2,122,429	55,414	10.47%
Cash and due from banks	178,949	-	-	172,776	-	-	170,319	-	-
Other assets	167,103	-	-	150,777	-	-	157,543	-	-
Total assets	$ 3,758,706	75,473	-	3,696,022	322,507	-	3,687,885	80,694	-
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits:									
Demand- non-interest bearing	$ 534,428	-	-	479,977	-	-	477,680	-	-
Demand- interest bearing	266,464	2,029	3.05%	236,589	9,867	4.17%	235,280	2,429	4.14%
Savings	1,117,105	9,563	3.43%	997,661	46,736	4.68%	985,614	11,673	4.75%
Certificates and other time deposits	1,324,945	16,856	5.10%	1,477,992	99,892	6.76%	1,489,470	25,723	6.93%
Total deposits	3,242,942	28,448	3.52%	3,192,219	156,495	4.90%	3,188,044	39,825	5.01%
Federal funds purchased, securities sold under agreements to repurchase and other borrowings	139,030	1,106	3.19%	147,349	7,170	4.87%	143,380	1,790	5.01%
Other liabilities	38,276	-		40,100	-		42,526	-	
Shareholders' equity	338,458	-		316,354	-		313,935	-	
Total liabilities and shareholders' equity	$3,758,706	29,552	-	3,696,022	163,665	-	3,687,885	41,615	-
Total earning assets	$3,432,654	75,473	8.82%	3,372,469	322,507	9.56%	3,360,023	80,694	9.63%
Total interest bearing liabilities	$2,929,367	29,552	4.05%	2,859,591	163,665	5.72%	2,853,744	41,615	5.85%
Net yield on earning assets		45,921	5.37%		158,842	4.71%		39,079	4.67%
Interest rate spread			4.77%			3.84%			3.78%

*Interest income on tax-exempt securities and loans have been adjusted to a fully taxable equivalent basis.

*Non-accrual loans have been included in the average balances.

FIRST BANCORPORATION OF OHIO AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Six Months Ended June 30, 1992 and 1991

	(In thousands)	
	1992	1991
Operating Activities		
Net income	$24,350	19,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	8,261	4,064
Provision for depreciation and amortization	3,531	3,487
Amortization of investment security premiums, net	13,428	6,771
Amortization of income for lease financing	(886)	(700)
Gain on sales of investment securities, net	(928)	(207)
Deferred federal income taxes	(1,298)	(795)
Decrease in interest receivable	2,692	910
Decrease in interest payable	(5,150)	(2,836)
Amortization of values ascribed to acquired intangibles	1,724	1,686
Other increases (decreases)	2,007	(2,304)
NET CASH PROVIDED BY OPERATING ACTIVITIES	47,731	29,371
Investing Activities		
Proceeds from sales/maturities of investment securities	212,356	172,948
Purchases of investment securities	(205,368)	(248,018)
Net decrease in federal funds sold	18,293	114,764
Net increase in loans	(43,765)	(24,117)
Purchases of assets to be leased	(1,786)	(3,258)
Principal payments received under leases	4,000	3,378
Purchases of premises and equipment	(1,889)	(3,048)
Sales of premises and equipment	428	615
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(17,731)	13,064
Financing Activities		
Net increase (decrease) in demand, NOW and savings deposits	97,801	(20,657)
Net decrease in time deposits	(128,677)	(19,590)
Net decrease in short-term borrowings	(3,899)	(9,402)
Cash dividends	(10,188)	(10,037)
Proceeds from exercise of stock options	361	-
NET CASH USED BY FINANCING ACTIVITIES	(44,602)	(59,686)
Decrease in cash and cash equivalents	(14,602)	(17,251)
Cash and cash equivalents at beginning of year	190,682	215,160
Cash and cash equivalents at end of period	$176,080	197,909

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest, net of amount capitalized	$37,667	53,543
Income taxes	12,395	7,307

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended June 30, 1992 Commission File Number 0-11172

FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA, INC.
(Exact name of registrant as specified in its charter)

South Carolina	57-0738665
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

1230 Main Street, Columbia, South Carolina 29201
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (803) 771-8700

NO CHANGE
(Former name or former address, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 30, 1992
Common Stock, $5.00 Par Value	892,813 Shares
Non-voting Common Stock, $5.00 Par Value	53,412 Shares

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET (dollars in thousands)

	June 30, 1992 (Unaudited)	December 31, 1991	June 30, 1991 (Unaudited)
ASSETS			
Cash and due from banks:			
Noninterest-bearing	$ 68,311	$ 88,857	$ 70,399
Interest-bearing	16,100	16,300	16,700
Total cash and due from banks	84,411	105,157	87,099
Investment securities:			
United States Government obligations	397,137	342,449	282,131
Securities of United States Government agencies and corporations	23,002	29,091	29,801
States and political subdivisions	26,174	28,723	25,505
Other securities	4,577	4,214	4,381
Total securities	450,890	404,477	341,818
Federal funds sold	1,100		
Gross loans and discounts:			
Real estate - construction	20,575	23,741	19,069
Real estate - mortgage	424,551	402,447	351,005
Installment	229,862	232,003	232,332
Commercial, financial and agricultural	95,306	90,485	106,334
Less: Unearned interest	(15)	(29)	(49)
Reserve for possible loan losses	(15,808)	(15,361)	(14,535)
Net loans and discounts	754,471	733,286	694,156
Premises and equipment	36,004	36,302	35,801
Other real estate owned	399	190	211
Interest income accrued, not collected	11,747	11,206	12,701
Intangible assets	15,425	16,209	13,629
Other assets	5,439	4,569	6,707
TOTAL ASSETS	$1,359,886	$1,311,396	$1,192,122
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand	$ 158,614	$ 161,599	$ 158,480
Time and savings	1,056,700	1,010,447	899,457
Total deposits	1,215,314	1,172,046	1,057,937
Federal funds purchased and securities sold under agreements to repurchase	49,901	47,690	46,420
Subordinated notes and term loan	18,300	18,700	19,100
Other liabilities	11,388	13,377	12,015
TOTAL LIABILITIES	1,294,903	1,251,813	1,135,472
Stockholders' Equity:			
Preferred stock	3,426	3,426	3,442
Non-voting common stock - $5.00 par value, authorized 1,000,000; issued and outstanding June 30, 1992, December 31, 1991 and June 30, 1991 - 53,412	267	267	267
Common stock - $5.00 par value, authorized 2,000,000; issued and outstanding June 30, 1992, December 31, 1991 and June 30, 1991 - 892,813	4,464	4,464	4,464
Surplus	40,000	40,000	40,000
Undivided profits	16,826	11,426	8,477
TOTAL STOCKHOLDERS' EQUITY	64,983	59,583	56,650
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,359,886	$1,311,396	$1,192,122

FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME - UNAUDITED

	Quarter Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Interest income and fees:				
Loans	$ 18,616	$ 18,777	$ 37,337	$ 37,000
United States Government obligations	6,129	4,788	12,144	8,888
Securities of United States Government agencies and corporations	571	664	1,211	1,308
Tax exempt securities	407	407	826	845
Other securities and federal funds sold	406	443	905	1,187
	26,129	25,079	52,423	49,228
Interest expense:				
Deposits	11,418	13,249	23,768	26,192
Short-term borrowings	457	602	984	1,139
Long-term borrowings	341	374	680	801
	12,216	14,225	25,432	28,132
Net interest income	13,913	10,854	26,991	21,096
Provision for loan losses	1,153	1,020	1,536	1,497
Net interest income after provision for loan losses	12,760	9,834	25,455	19,599
Noninterest income:				
Service charges on deposit accounts	2,482	2,024	4,938	3,947
Fees for other customer services	1,000	908	1,993	1,794
Investment securities transactions	(39)	1	(39)	5
Other	805	703	1,952	1,585
	4,248	3,636	8,844	7,331
Noninterest expense:				
Salaries and employee benefits	6,212	5,417	12,472	10,789
Net occupancy expense of premises	550	442	1,112	919
Furniture and equipment expense	492	490	1,037	927
Depreciation expense	1,096	1,117	2,162	2,185
Amortization of intangibles	740	532	1,422	990
Other	3,858	3,177	7,990	6,230
	12,948	11,175	26,195	22,040
Income before income taxes	4,060	2,295	8,104	4,890
Applicable income tax expense	1,505	692	2,898	1,469
Net Income	$ 2,555	$ 1,603	$ 5,206	$ 3,421
Net Income Per Common Share	$ 2.65	$ 1.65	$ 5.41	$ 3.52
Weighted Average Shares	946,225	946,225	946,225	946,225

FIRST CITIZENS BANCORPORATION OF SOUTH CAROLINA AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - UNAUDITED

	Balance
Preferred Stock:	
At December 31, 1990	$ 3,499
Reacquired preferred stock	(57)
At June 30, 1991	3,442
Reacquired preferred stock	(16)
At December 31, 1991	3,426
At June 30, 1992	3,426
Non-Voting Common Stock:	
At December 31, 1990	267
At June 30, 1992	267
Common Stock:	
At December 31, 1990	4,464
At June 30, 1992	4,464
Surplus:	
At December 31, 1990	30,000
Transfer from undivided profits	10,000
At June 30, 1991	40,000
At June 30, 1992	40,000
Undivided Profits:	
At December 31, 1990	15,120
Net income	3,421
Preferred stock dividends	(90)
Transfer to surplus	(10,000)
Reacquired preferred stock	26
At June 30, 1991	8,477
Net income	3,031
Preferred stock dividends	(90)
Reacquired preferred stock	8
At December 31, 1991	11,426
Net income	5,206
Preferred stock dividends	(89)
Tax refund	283
At June 30, 1992	16,826
Total Stockholders' Equity	$ 64,983

CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED (dollars in thousands)

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
Cash Flows From Operating Activities:		
Net income	$ 5,206	$ 3,421
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,536	1,497
Depreciation and amortization	3,584	3,175
Provision for deferred income taxes	(36)	(541)
(Gain) loss on investment securities transactions	39	(5)
Gain on sales of premises and equipment	(87)	(23)
Increase in interest income accrued, not collected	(541)	(3,434)
Decrease in accrued interest payable	(1,043)	(313)
Decrease in income taxes payable	(124)	(281)
Net Cash Provided By Operating Activities	8,534	3,478
Cash Flows From Investing Activities:		
Net increase in loans	(23,267)	(60,611)
Proceeds from sales of investment securities	4,656	365
Proceeds from maturities of investment securities	77,007	68,977
Purchases of investment securities	(128,037)	(171,317)
Net decrease (increase) in federal funds sold	(1,100)	26,400
Net decrease (increase) in other earning assets	(862)	11
Proceeds from sales of premises and equipment	175	187
Purchases of premises and equipment	(2,090)	(4,348)
Proceeds from sale of other real estate owned	338	148
Increase in core deposits and other intangible assets	(527)	(5,226)
Net Cash Used In Investing Activities	(73,707)	(145,311)
Cash Flows From Financing Activities:		
Net increase in deposits	43,268	124,994
Net increase in federal funds purchased and securities sold under agreements to repurchase	2,211	18,975
Maturities of subordinated notes and term loan	(400)	(400)
Reacquired preferred stock		(31)
Cash dividends paid	(89)	(90)
Net decrease in other	(563)	(1,779)
Net Cash Provided By Financing Activities	44,427	141,670
Net decrease in cash and cash equivalents	(20,746)	(562)
Cash at beginning year	105,157	70,561
Cash at June 30	$ 84,411	$ 70,399
Supplemental disclosures of cash flow information:		
Interest paid	$ 26,475	$ 28,463
Taxes paid	$ 2,776	$ 2,291

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The foregoing financial statements are unaudited; however, in the opinion of Management, all adjustments (comprising only normal recurring accruals) necessary for a fair presentation of financial statements have been included. A summary of Bancorporation's significant accounting policies is set forth in Note 1 to the Consolidated Financial Statements in Bancorporation's Annual Report on Form 10-K for 1991.

PART I - FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All averaged balances throughout management's discussion and analysis are stated in thousands and are based on daily average balances.)

AVERAGED BALANCE SHEET DISTRIBUTION:

	QUARTER ENDED				YEAR ENDED	
	June 30, 1992		June 30, 1991		December 31, 1991	
	Average	Percent	Average	Percent	Average	Percent
ASSETS						
Cash and due from banks	$ 71,483	5.3%	$ 62,502	5.5%	$ 63,317	5.5%
Interest-bearing deposits	16,100	1.2%	$ 16,746	1.5%	$ 16,649	1.4%
Investment securities:						
Taxable	420,350	30.9%	281,316	24.9%	$ 287,025	24.9%
Non-taxable	24,752	1.8%	22,575	2.0%	25,450	2.2%
Total securities	445,102	32.7%	303,891	26.9%	312,475	27.1%
Federal funds sold	14,963	1.1%	9,252	.8%	17,266	1.5%
Loans - gross	758,065	55.7%	688,877	60.9%	694,504	60.2%
Less allowance for loan losses	(15,555)	(1.1%)	(14,126)	(1.2%)	(14,243)	(1.2%)
Less unearned income	(18)	(.0%)	(57)	(.0%)	(52)	(.0%)
Loans - net	742,492	54.6%	674,694	59.7%	680,209	59.0%
Bank premises and equipment	35,776	2.6%	35,152	3.1%	35,080	3.0%
Other real estate owned	336	.0%	85	.0%	222	.0%
Other assets - earning	1,267	.1%	1,173	.1%	1,097	.1%
Other assets - nonearning	31,969	2.4%	27,343	2.4%	27,894	2.4%
TOTAL ASSETS	$1,359,488	100.0%	$1,130,838	100.0%	$1,154,209	100.0%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits:						
Demand	$ 161,343	11.9%	$ 139,740	12.4%	$ 139,266	12.1%
Time and savings	1,053,797	77.5%	861,156	76.1%	885,668	76.7%
Total deposits	1,215,140	89.4%	1,000,896	88.5%	1,024,934	88.8%
Federal funds purchased and securities sold under agreements to repurchase	50,103	3.7%	42,090	3.7%	39,564	3.4%
Long term debt	18,348	1.3%	19,160	1.7%	19,054	1.7%
Short term debt	2,564	.2%	2,511	.2%	2,732	.2%
Other liabilities - noninterest-bearing	9,854	.7%	10,393	1.0%	11,198	1.0%
TOTAL LIABILITIES	1,296,009	95.3%	1,075,050	95.1%	1,097,482	95.1%
Stockholders' Equity:						
Preferred stock	3,426	.3%	3,442	.3%	3,449	.3%
Common stock	4,731	.4%	4,731	.4%	4,731	.4%
Surplus	40,000	2.9%	39,231	3.5%	37,343	3.2%
Undivided profits	15,322	1.1%	8,384	.7%	11,204	1.0%
TOTAL STOCKHOLDERS' EQUITY	63,479	4.7%	55,788	4.9%	56,727	4.9%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,359,488	100.0%	$1,130,838	100.0%	$1,154,209	100.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All averaged balances throughout management's discussion and analysis are stated in thousands and are based on daily average balances.)

AVERAGED BALANCE SHEET DISTRIBUTION:

	SIX MONTHS ENDED				YEAR ENDED	
	June 30, 1992		June 30, 1991		December 31, 1991	
	Average	Percent	Average	Percent	Average	Percent
ASSETS						
Cash and due from banks	$ 74,360	5.5%	$ 60,011	5.5%	$ 63,317	5.5%
Interest-bearing deposits	16,115	1.2%	16,846	1.5%	16,649	1.4%
Investment securities:						
Taxable	408,844	30.3%	256,997	23.4%	287,025	24.9%
Non-taxable	25,048	1.9%	23,697	2.2%	25,450	2.2%
Total securities	433,892	32.2%	280,694	25.6%	312,475	27.1%
Fed funds sold	17,721	1.3%	17,854	1.6%	17,266	1.1%
Loans - gross	752,556	55.8%	673,009	61.4%	694,504	60.2%
Less allowance for loan losses	(15,441)	(1.1%)	(13,801)	(1.3%)	(14,243)	(1.2%)
Less unearned income	(22)	(.0%)	(65)	(.0%)	(52)	(.0%)
Loans - net	737,093	54.7%	659,143	60.1%	680,209	59.0%
Bank premises and equipment	35,813	2.6%	34,659	3.2%	35,080	3.3%
Other real estate owned	310	.0%	59	.0%	222	.0%
Other assets - earning	1,174	.1%	1,509	.1%	1,097	.1%
Other assets - nonearning	32,237	2.4%	25,884	2.4%	27,894	2.5%
TOTAL ASSETS	$1,348,715	100.0%	$1,096,659	100.0%	$1,154,209	100.0%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits:						
Demand	$ 157,278	11.7%	$ 133,824	12.2%	$ 139,266	12.1%
Time and savings	1,044,835	77.5%	836,651	76.3%	885,668	76.7%
Total deposits	1,202,113	89.2%	970,475	88.5%	1,024,934	88.8%
Federal funds purchased and securities sold under agreements to repurchase	52,718	3.9%	38,162	3.5%	39,564	3.4%
Long term debt	18,451	1.4%	19,259	1.8%	19,054	1.7%
Short term debt	2,647	.2%	2,724	.2%	2,732	.2%
Other liabilities noninterest-bearing	10,554	.7%	10,971	1.0%	11,198	1.0%
TOTAL LIABILITIES	1,286,483	95.4%	1,041,591	95.0%	1,097,482	95.1%
Stockholders' Equity:						
Preferred stock	3,426	.2%	3,462	.3%	3,449	.3%
Common stock	4,731	.4%	4,731	.4%	4,731	.4%
Surplus	40,000	3.0%	34,641	3.2%	37,343	3.2%
Undivided profits	14,075	1.0%	12,234	1.1%	11,204	1.0%
TOTAL STOCKHOLDERS' EQUITY	62,232	4.6%	55,068	5.0%	56,727	4.9%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,348,715	100.0%	$1,096,659	100.0%	$1,154,209	100.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUMMARY:

On April 24, 1992, the Registrant's wholly-owned bank subsidiary purchased the assets and assumed the liabilities of one South Carolina branch of Citizens and Southern National Bank. Total assets purchased were $2,504,000, of which $2,108,000 were loans. Deposits purchased totaled $19,431,000 and other liabilities assumed totaled $6,000. A premium of $159,000 was paid on deposits purchased and has been assigned to a core deposit intangible asset and will be amortized over the average remaining life of each category of deposits. The Bank will be evaluating the acquisition in order to determine the appropriate amortization period. The acquisition was accounted for by the purchase method of accounting.

First Citizens Bancorporation reported net income of $2,555,000 for the second quarter of 1992, as compared to $1,603,000 for the second quarter a year ago. For the six months ended June 30, 1992, earnings were $5,206,000 as compared to $3,421,000 for the same period in 1991.

Contributing to the increase in earnings for the quarter and six months ended June 30, 1992 as compared to the same periods in 1991 was an increase in net interest income of $3,059,000 and $5,895,000, respectively. Greater interest income was generated by substantial growth in the investment portfolio, as well as moderate growth in consumer and commercial loans. Average loans net of unearned income for the quarter and six months ended June 30, 1992 increased $69,227,000 or 10% and $79,590,000 or 12%, respectively, as compared to the same periods in 1991, with a yield of 9.8% and 9.9% for the quarter and six months ended June 30, 1992, respectively. Average taxable and non-taxable investment securities for the quarter and six months ended June 30, 1992 increased $141,211,000 or 46% and $153,198,000 or 55%, respectively, as compared to the same periods in 1991, with a taxable equivalent yield of 6.6% and 6.8% for the quarter and six months ended June 30, 1992, respectively. This increase in investment securities was due primarily to the availability of excess funds received from the settlement of acquisitions. Also contributing to the increase in earnings was a decrease in interest rates paid on deposits.

Offsetting the increase in earnings was an increase in noninterest expense for the second quarter of 1992 of $1,773,000 or 16%, and for the six months ended June 30, 1992, an increase of $4,155,000 or 19%. The increase was primarily due to increased salary, wage and employee benefit costs and overall operating expenses.

Net income per common share for the quarter ended June 30, 1992 increased 61% to $2.65, from $1.65 for the second quarter in 1991. For the six months ended June 30, 1992, net income per common share was $5.41 as compared to $3.52 for 1991, or an increase of 54%.

Book value per common share for the quarter and six months ended June 30, 1992 was $65.06, as compared to $56.23 for the quarter and six months ended June 30, 1991, or an increase of 16%.

As illustrated in the following table, Tier I leverage capital was 3.8% at June 30, 1992 as compared to 4.0% at June 30, 1991. Total risk based capital was 10.3% at June 30, 1992 as compared to 10.1% at June 30, 1991. The risk based capital ratios were calculated using the 1992 Final Rules.

SUMMARY (Continued):

Components of Capital (dollars in thousands):

	June 30, 1992	June 30, 1991
Stockholders' Equity:		
Preferred stock	$ 3,426	$ 3,442
Common stock	4,731	4,731
Surplus	40,000	40,000
Undivided profits	16,826	8,477
Total stockholders' equity	64,983	56,650
Reserve for possible loan losses	15,808	14,536
Total primary capital	80,791	71,186
Long-term debt qualifying as secondary capital	18,500	19,100
Total capital	$99,291	$90,286
Tier I leverage ratio	3.8	4.0
Risk based capital ratio total	10.3	10.1
Tier I	7.5	7.1
Tier II	2.8	3.0

NET INTEREST REVENUE:

Net interest revenue on a taxable equivalent basis was $14,184,000 for the second quarter of 1992, an increase of 28% over the $11,117,000 for the comparable period in 1991. For the six months ended June 30, 1992, net interest revenue on a taxable equivalent basis increased by 27% to $27,540,000 from $21,640,000 for 1991.

The following table presents the components, fully taxable, of net interest revenue for the quarter and six months ended June 30, 1992 and 1991, respectively:

Net Interest Revenue (dollars in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Total interest revenue	$26,129	$25,079	$52,423	$49,228
Total interest expense	12,216	14,225	25,432	28,132
Net interest revenue	13,913	10,854	26,991	21,096
Tax equivalent adjustments to interest revenue	271	263	549	544
Net interest revenue (taxable equivalent yield at 66% for 1992 and 1991)	$14,184	$11,117	$27,540	$21,640

For further analysis, the following table presents average balances of earning assets and sources of funds with associated yields, along with rate/volume variance attributed for the comparable quarters and six months ended June 30, 1992 and 1991, respectively.

NET INTEREST REVENUE (Continued):

Taxable Equivalent Rate/Volume Variance Analysis (Amounts in thousands)

Quarter Ended June 30,									
Average Volume		Interest		Average Rate			Variance	Variance Attributed To	
1992	1991	1992	1991	1992	1991		1992/1991	1992 Rate	1992 Volume
						Earning assets:			
$ 758,047	$ 688,820	$18,660	$18,811	9.8	10.9	Loans, net of unearned income	$ (151)	$(2,037)	$ 1,886
420,350	281,316	6,738	5,484	6.4	7.8	Taxable investment securities	1,254	(1,457)	2,711
24,752	22,575	616	616	10.0	10.9	Non-taxable investment securities	0	(59)	59
14,963	9,252	141	141	3.8	6.1	Federal funds sold	0	(87)	87
17,367	17,919	245	290	5.6	6.5	Other earnings assets	(45)	(36)	(9)
$1,235,479	$1,019,882	26,400	25,342	8.6	9.9	Total earning assets	1,058	(3,676)	4,734
						Sources of funds:			
$1,053,797	$ 861,156	11,419	13,249	4.3	6.2	Interest-bearing deposits	(1,830)	(4,816)	2,986
50,103	42,090	443	573	3.5	5.4	Federal funds purchased and securities sold under agreements to repurchase	(130)	(238)	108
2,564	2,511	18	30	2.8	4.8	Short-term debt	(12)	(13)	1
18,348	19,160	336	372	7.3	7.8	Long-term debt	(36)	(20)	(16)
1,124,812	924,917	12,216	14,224	4.4	6.2	Total interest-bearing sources	(2,008)	(5,087)	3,079
161,343	139,740					Demand deposits			
(71,483)	(62,502)					Cash and due from banks			
20,807	17,727					Other sources, net			
$1,235,479	$1,019,882	12,216	14,224	4.0	5.6	Total sources of funds	(2,008)	(5,087)	3,079
		$14,184	$11,118	4.2	3.7	Net interest income	$ 3,066	$ 1,411	$ 1,655
				4.6	4.4	Net interest income to earnings assets			

NET INTEREST REVENUE (Continued):

Taxable Equivalent Rate/Volume Variance Analysis (Amounts in thousands)

Six Months Ended June 30,									
Average Volume		Interest		Average Rate			Variance	Variance Attributed To	
1992	1991	1992	1991	1992	1991		1991/1992	1992 Rate	1992 Volume
						Earning assets:			
$ 752,534	$ 672,944	$37,424	$37,055	9.9	11.0	Loans, net of unearned income	$ 369	$(4,008)	$ 4,377
408,844	256,997	13,461	10,269	6.6	8.0	Taxable investment securities	3,192	(2,882)	6,074
25,048	23,697	1,251	1,280	10.0	10.8	Non-taxable investment securities	(29)	(102)	73
17,721	17,854	345	565	3.9	6.3	Federal funds sold	(220)	(216)	(4)
17,289	18,355	491	603	5.7	6.6	Other earnings assets	(112)	(77)	(35)
$1,221,436	$ 989,847	52,972	49,772	8.7	10.1	Total earning assets	3,200	(7,285)	10,485
						Sources of funds:			
$1,044,835	$ 836,651	23,768	26,192	4.5	6.3	Interest-bearing deposits	(2,424)	(8,982)	6,558
52,718	38,162	951	1,068	3.6	5.6	Federal funds purchased and securities sold under agreements to repurchase	(117)	(525)	408
2,647	2,724	37	75	2.8	5.5	Short-term debt	(38)	(36)	(2)
18,451	19,259	676	797	7.3	8.3	Long-term debt	(121)	(87)	(34)
1,118,651	896,796	25,432	28,132	4.5	6.3	Total interest-bearing sources	(2,700)	(9,630)	6,930
157,278	133,824					Demand deposits			
(74,360)	(60,011)					Cash and due from banks			
19,867	19,238					Other sources, net			
$1,221,436	$ 989,847	25,432	28,132	4.2	5.7	Total sources of funds	(2,700)	(9,630)	6,930
		$27,540	$21,640	4.2	3.8	Net interest income	$ 5,900	$ 2,345	$ 3,555
				4.5	4.4	Net interest income to earnings assets			

RESERVE FOR POSSIBLE LOAN LOSSES:

The reserve at June 30, 1992 was $15,808,000 or 2.0% of total loans, as compared to $15,361,000 or 2.0% of total loans at December 31, 1991 and $14,535,000 or 2.0% at June 30, 1991.

For the quarter ended June 30, 1992, the provision for possible loan losses was $1,153,000, an increase of 13% from the $1,020,000 for the same period in 1991. For the six months ended June 30, 1992, the provision for possible loan losses was $1,536,000, an increase of 3% from the $1,497,000 for 1991. The $1,536,000 was primarily a provision to reflect potential losses inherent in the loan portfolio and was not attributable to individual loans for which management believed specific loss accruals were necessary to June 30, 1992. Increased levels of problem assets could require additional provisions for loan losses.

Net charge-offs were $662,000 in the second quarter of 1992, which represented an increase of 26% when compared to the $526,000 reported for the comparable period of 1991. For the six months ended June 30, 1992, net charge-offs were $1,089,000 an increase of 60% from the $679,000 for the comparable period in 1991.

Provision and Reserve For Possible Loan Losses (dollars in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Reserve for possible loan losses:				
Balance at beginning of period	$15,317	$13,625	$15,361	$13,301
Provision charged to expense	1,153	1,020	1,536	1,497
Charge-offs	(799)	(655)	(1,358)	(1,094)
Recoveries	137	129	269	415
Net charge-offs	(662)	(526)	(1,089)	(679)
Reserves related to acquired loans		416		416
Balance at end of period	$15,808	$14,535	$15,808	$14,535
Ratios (annualized):				
Consolidated Net Charge-offs to:				
Average loans	.4	.3	.3	.2
Loans at end of period	.4	.3	.3	.2
Reserve for possible loan losses	16.8	14.5	13.8	9.3

NONINTEREST INCOME AND EXPENSE:

Total noninterest income for the second quarter of 1992 totaled $4,248,000 which was an increase of 17% from the $3,636,000 earned for the second quarter of 1991. For the six months ended June 30, 1992, noninterest income totaled $8,844,000, an increase of 21% from the $7,331,000 earned for the six months ended June 30, 1991.

Noninterest expense for the second quarter of 1992 was $12,948,000, an increase of 16%, when compared with $11,175,000 for the same period a year ago. For the first six months of 1992, noninterest expense totaled $26,195,000, an increase of 19% from the $22,040,000 for the comparable period in 1991.

The overall increases in both noninterest income and noninterest expense are due mainly to increased volume and normal inflation.

The following table provides additional details of noninterest income and expense:

Noninterest Income and Expense (dollars in thousands):

	Quarter Ended June 30,		Change		Six Months Ended June 30,		Change	
	1992	1991	Amount	Percent	1992	1991	Amount	Percent
Noninterest income:								
Service charges on deposit accounts	$ 2,482	$ 2,024	$ 458	22.6	$ 4,938	$ 3,947	$ 991	25.1
Commissions, service charges and fees	884	750	134	17.9	1,715	1,481	234	15.8
Trust fees	116	159	(43)	(27.0)	278	313	(35)	(11.2)
Gain(loss) on sale of securities	(39)	1	(40)	(4000.0)	(39)	5	(44)	(880.8)
All other	805	702	103	14.7	1,952	1,585	367	23.2
Total noninterest income	$ 4,248	$ 3,636	$ 612	16.8	$ 8,844	$ 7,331	$1,513	20.6
Noninterest expense:								
Salaries and wages	$ 5,067	$ 4,393	$ 674	15.3	$10,132	$ 8,722	$1,410	16.2
Pension and other employee benefits	1,145	1,024	121	11.8	2,340	2,067	273	13.2
Total staff expenses	6,212	5,417	795	14.7	12,472	10,789	1,683	15.6
Occupancy expense	819	701	118	16.8	1,648	1,430	218	15.2
Furniture and equipment expense	1,318	1,349	(31)	(2.3)	2,662	2,602	60	2.3
Postage	253	251	2	.8	548	501	47	9.4
Telephone	335	335			785	638	147	23.0
Stationery and supplies	327	261	66	25.3	722	595	127	21.3
FDIC insurance assessment	643	441	202	45.8	1,277	883	394	44.6
Advertising and public relations	66	75	(9)	(12.0)	133	150	(17)	(11.3)
All other	2,975	2,345	630	26.9	5,948	4,452	1,496	33.6
Total noninterest expense	$12,948	$11,175	$1,773	15.9	$26,195	$22,040	$4,155	18.9

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Neither Registrant nor its subsidiary, the Bank, nor its subsidiaries, are a party to, nor is any of their property the subject of, any material pending legal proceeding, other than ordinary routine proceedings incidental to their business.

Item 2. Changes in Securities.

Not Applicable

Item 3. Defaults upon Senior Securities.

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Shareholders of Registrant was held on April 8, 1992. At the meeting, Shareholders voted to fix the number of Directors at 29 for 1992 and the 29 Nominees named in Registrant's Proxy Statement dated March 2, 1992 were elected as Directors for a term of 1 year. No other matters were voted on at the meeting, and there was no solicitation in opposition to management's Nominees as listed in the Proxy Statement.

Item 5. Other Information.

Not Applicable

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

11 Statement of Re Computation of Per Share Earnings - Page 19

(b) Reports on Form 8-K:

Registrant filed a Current Report on Form 8-K on May 8, 1992 to report the acquisition by Registrant's wholly-owned bank subsidiary of one South Carolina branch of Citizens and Southern National Bank.

No financial statements were filed with that report.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST CITIZENS BANCORPORATION
OF SOUTH CAROLINA, INC.
(Registrant)

Dated: August 13, 1992

By: /s/ Jay C. Case
Jay C. Case, Treasurer
(Chief Financial Officer)

PART II - OTHER INFORMATION
Item 6. (a)

EXHIBIT 11

Statement Re Computation of Per Share Earnings

	Quarter Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Net income	$ 2,555	$ 1,603	$ 5,206	$ 3,421
Less: Preferred stock dividend requirements	45	45	89	90
Net income applicable to common stock	$ 2,510	$ 1,558	$ 5,117	$ 3,331
Weighted average common shares outstanding	946,225	946,225	946,225	946,225
Primary earnings per common share:				
Net income	$ 2.65	$ 1.65	$ 5.41	$ 3.52

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 1992 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from ______________ to ____________

Commission File No. 0-17097

Franklin First Financial Corp.
(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of Incorporation or organization)	23-2513327 (I.R.S. Employer Identification Number)
44 West Market Street, Wilkes-Barre, PA (Address of principal executive offices)	18773 (Zip Code)

Registrant's telephone number, including area code:
(717) 821-7100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

TITLE OF CLASS	Outstanding at August 12, 1992
Common Stock, $.01 par value	5,773,004 shares

(This report contains 28 pages)

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FRANKLIN FIRST FINANCIAL CORP. AND SUBSIDIARY

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FRANKLIN FIRST FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands)

ASSETS

	June 30, 1992	December 31, 1991
Cash and non-interest bearing deposits	$ 5,370	$ 6,304
Interest bearing deposits in banks	46,220	41,098
Investment securities:		
Held for sale, at lower of cost or market	-	37,552
Held for investment (Market value $14,183, 1992 $14,245, 1991)	14,001	13,917
Loans receivable, net: (Allowance $9,684, 1992 $8,847, 1991)		
Held for sale, at lower of cost or market	13,289	-
Held for investment	605,504	598,424
Mortgage-backed securities, net (Market value $380,300, 1992, $336,270, 1991)	373,635	327,571
Interest receivable	8,554	8,661
Investment in Federal Home Loan Bank, at cost	7,884	6,796
Real estate owned, net	4,827	4,499
Premises and equipment, net	8,752	8,492
Excess of cost over fair value of assets acquired, net of accumulated amortization	2,576	2,711
Other assets	18,595	8,734
Total assets	$1,109,207	$1,064,759

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 1992	December 31, 1991
Liabilities:		
Savings deposits	$ 773,308	$ 733,563
Short-term borrowings	104,841	108,794
Borrowings from Federal Home Loan Bank	65,000	66,000
Collateralized mortgage obligations, net	39,436	41,846
Advance payments by borrowers for taxes and insurance	10,647	7,108
Other liabilities	22,900	14,038
Total liabilities	1,016,132	971,349
Shareholders' equity:		
Preferred stock, $.01 par value, authorized 10,000,000 shares; none issued		
Common stock, $.01 par value, authorized 20,000,000 shares; issued and outstanding 7,212,533 shares 1992; 7,196,400 shares 1991	48	48
Additional paid-in capital	36,045	35,949
Retained earnings, substantially restricted	69,941	65,490
	106,034	101,487
Less treasury stock, at cost, 1,439,529 shares 1992; 1,064,779 shares 1991	12,959	8,077
Total shareholders' equity	93,075	93,410
Total liabilities and shareholders' equity	$1,109,207	$1,064,759

FRANKLIN FIRST FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Dollars in thousands, except per share amounts)

	Six Months Ended June 30		Three Months Ended June 30	
	1992	1991	1992	1991
Interest income:				
Loans	$31,182	$27,653	$15,745	$13,952
Mortgage-backed securities	13,577	10,657	6,794	6,235
Investments	1,437	3,769	652	1,580
Total interest income	46,196	42,079	23,191	21,767
Interest expense:				
Deposits	20,735	22,729	10,071	11,398
Short-term borrowings	2,093	1,285	1,035	1,157
FHLB borrowings	2,267	1,152	1,105	579
Collateralized mortgage obligations	1,960	2,145	967	1,059
Total interest expense	27,055	27,311	13,178	14,193
Net interest income	19,141	14,768	10,013	7,574
Provision for loan losses	1,500	1,000	750	500
Net interest income after provision for loan losses	17,641	13,768	9,263	7,074
Other income:				
Other fees and charges	1,823	1,404	945	729
Gain (loss) on sale of:				
Loans	679	102	663	-
Mortgage-backed securities	-	(411)	-	(411)
Investments	(2)	-	4	-
Other	10	13	1	10
Total other income	2,510	1,108	1,613	328
Other expense:				
Compensation and employee benefits	4,001	3,798	1,966	1,882
Occupancy and equipment	1,197	1,111	577	583
Marketing	757	405	421	171
Data processing	514	489	268	243
SAIF insurance	918	822	459	411
Other	3,208	2,229	1,675	1,169
Total other expense	10,595	8,854	5,366	4,459
Income before income tax expense	9,556	6,022	5,510	2,943
Income tax expense	3,800	2,349	2,200	1,148
Net income	$ 5,756	$ 3,673	$ 3,310	$ 1,795
Earnings per share	$ .93	$ .55	$ .54	$ .27

See notes to consolidated financial statements

FRANKLIN FIRST FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)
(Dollars in thousands)
Six months ended June 30, 1992

	Common stock		Additional paid-in	Retained	Treasury	
	Shares	Amount	capital	earnings	stock	Total
Balance, December 31, 1991	7,195,658	$48	$35,949	$65,490	$(8,077)	$93,410
Cash dividend, at $.325 per share	-	-	-	(1,305)	-	(1,305)
Exercise of stock options	16,875	-	96	-	-	96
Net income for the six months ended June 30, 1992	-	-	-	5,756	-	5,756
Treasury stock acquired	-	-	-	-	(4,882)	(4,882)
Balance, June 30, 1992	7,212,533	$48	$36,045	$69,941	$(12,959)	$93,075

See notes to consolidated financial statements

FRANKLIN FIRST FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 1992 AND 1991
(Unaudited)

	1992	1991
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 5,756	$ 3,673
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	870	844
Provision for loan losses	1,500	1,000
Provision for loss on real estate owned	418	-
Amortization of loan fees	(1,101)	(658)
Accretion/amortization of purchased premiums and discounts	(1,501)	(4,198)
(Gain) loss on sale of:		
Loans	(679)	(102)
Mortgage-backed securities	-	411
Investments	2	-
Real estate owned	-	7
(Increase) in:		
Interest receivable	107	(2,136)
Other assets	(10,108)	(3,310)
Increase (decrease) in other liabilities	8,862	978
Net cash provided by (used in) operating activities	4,126	(3,491)
Cash flows from investing activities:		
Loans:		
Originations, net of repayments	(66,607)	(38,829)
Sales	44,841	3,046
Mortgage-backed securities:		
Purchases	(81,187)	(134,326)
Repayments	36,906	15,960
Investments:		
Purchases	(5,739)	(7,995)
Repayments	-	800
Sales and maturities	41,835	14,645
Sales of real estate owned	931	136
Purchase of premises and equipment	(688)	(145)
Net cash used in investing activities	(29,708)	(146,708)

(Continued)

FRANKLIN FIRST FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 1992 AND 1991

	1992	1991
	(Dollars in thousands)	
Cash flows from financing activities:		
Net savings deposits	26,278	16,509
Interest credited to savings deposits	13,467	15,912
Net increase (decrease) in:		
Short term borrowings	(3,953)	95,011
Advance payments from borrowers for taxes and insurance	3,539	3,404
Repayments:		
Federal Home Loan Bank	(1,000)	-
Collateralized mortgage obligations	(2,470)	(1,740)
Issuance of common stock	96	42
Cash dividend paid	(1,305)	(1,420)
Repurchase of common stock	(4,882)	(2,445)
Net cash provided by financing activities	29,770	125,273
Net increase (decrease) in cash and cash equivalents	4,188	(24,926)
Cash and cash equivalents, beginning of period	47,402	52,730
Cash and cash equivalents, end of period	$ 51,590	$ 27,804
Supplemental disclosure:		
Cash paid during the period:		
Interest	$ 27,536	$ 27,156
Income taxes	3,277	2,076
Non-cash item:		
Acquisition of real estate in settlement of loans, including in-substance foreclosures	$ 1,677	$ 494

See notes to consolidated financial statements

FRANKLIN FIRST FINANCIAL CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information pertaining to the six and three month periods ended June 30, 1992 and 1991 is unaudited.

(1) In the opinion of management, the accompanying unaudited consolidated financial statements of Franklin First Financial Corp. and Subsidiary (the "Company") contain all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the Company's financial condition, results of operations and cash flows for the periods and at the dates indicated. The results for the interim periods are not necessarily indicative of the operating results for the full fiscal year.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes necessary for a presentation of financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. These interim financial statements should be read in conjunction with the audited financial statements and footnote disclosures in the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1991.

(2) In April, 1992 the Company announced a three-for-two split of its common stock effected in the form of a dividend. The stock was paid on June 1, 1992 to shareholders of record at May 15, 1992. Shareholders received cash in lieu of fractional shares resulting from the stock split. 1991 per share amounts have been restated to reflect the stock split.

(3) Earnings per share were calculated by dividing the net income of the Company by the weighted average number of shares of common stock and common stock equivalents outstanding of 6,176,525 and 6,617,014 for the six month periods and 6,078,930 and 6,710,758 for the three months periods, respectively.

(4) In July, 1992, Franklin declared a quarterly $.11 per share dividend payable on September 1, 1992 to shareholders of record on August 15, 1992.

Item 2. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations

General

Franklin First Financial Corp. was formed as a Pennsylvania corporation in May, 1988 and is the sole shareholder of Franklin First Savings Bank (the "Bank"), which converted from a federally chartered savings and loan association to a federally chartered stock savings bank as of August 23, 1988, and further converted to a Pennsylvania chartered savings bank on April 17, 1992.

At June 30, 1992, the Company had assets of $1.1 billion, total deposits of $773.3 million and shareholders' equity of $93.1 million. In terms of assets and equity, the Bank is the largest SAIF-insured institution headquartered in the nine county area of Northeastern Pennsylvania.

Management attributes the Company's success, in part, to its ability to serve the varied banking needs of the Luzerne County area and the Pocono Region. In Luzerne County, with its relatively stable population, the Bank serves a community which is generally mature with an orientation toward savings. By contrast, the Pocono Region has been a growing area, although recent growth has slowed from the rapid pace exhibited during the 1980s. Accordingly, the Company has developed a relatively strong deposit gathering capability in the Wilkes-Barre area in addition to its loan origination capability, while the Pocono Region has generated a relatively strong demand for residential mortgage loans. The following table sets forth certain information regarding deposit liabilities at June 30, 1992 and mortgages originated (but not purchased from others) during 1992:

	Deposit Liabilities at June 30, 1992 (1)		Residential Mortgage Loans Originated in 1992 (1)			
	Dollar Amount (In millions)	(%)	Number of Loans	(%)	Principal Amount of Loans (In millions)	(%)
Luzerne County	$653.6	84.5%	788	53.8%	$45.5	49.5%
Pocono Region (2)	31.8	4.1%	451	30.8%	32.4	35.3%
Other	87.9	11.4%	226	15.4%	14.0	15.2%
TOTAL	$773.3	100.0%	1,465	100.0%	$91.9	100.0%

(1) Deposits based on offices where deposit accounts were opened. Loans based on location of secured property and include undisbursed proceeds of construction loans.

(2) The Pocono Region includes Monroe County, where the Bank has a full service branch and a lending office, Pike County, where the Bank has a lending office and northern Carbon County and Wayne County, where some of its borrowers reside although the Company has no office location.

Liquidity and Capital Resources

Liquidity is a measure of the ability to meet present and potential funding needs, obligations and commitments. The Company's liquidity is the ability to meet the borrowing needs and deposit withdrawal requirements of customers, pay current expenses and to support asset growth.

The Company's principal sources of funds are deposits and loan repayments (including interest, amortization of principal and prepayments). Additional funding sources include FHLB advances, reverse repurchase agreements, sales of loans and investments, earnings retained and to a lesser extent, a line of credit with a local bank. In addition, in June, 1989, $51.6 million of Collateralized Mortgage Obligations (CMOs) were issued, with the net proceeds used to reduce existing debt and to fund loan originations. At June 30, 1992, the Bank had outstanding commitments to fund loans totaling $34.0 million and commitments on home equity lines of credit, net of advances, totaling $12.5 million as well as unused commercial lines of credit available to its borrowers totaling $1.7 million. These commitments were issued in the normal course of business and it is anticipated that funding will be provided from customary sources.

Savings deposits have increased by $39.7 million, including interest credited of $13.4 million, during the six months ended June 30, 1992, compared to an increase in savings deposits of $32.4 million, including interest credited of $15.9 million, during the six months ended June 30, 1991.

The payment of dividends by the Bank to the Company is subject to certain regulatory restrictions. At June 30, 1992 $15.0 million was available for the payment of dividends by the Bank to the Company. The dividend payout ratio for the Company for the six month period ended June 30, 1992 was 23.3%.

As one method of enhancing shareholder value, the Company has initiated several stock repurchase programs. During the first program, which began during the third quarter of 1990 and was completed during the first quarter of 1991, the Company repurchased 699,600 (adjusted for three for two stock split effective June 1, 1992) shares of its outstanding common stock for $4.7 million. In July, 1991, the Company announced its second program to repurchase up to 10 percent of its outstanding shares or approximately 633,143 (adjusted for three for two stock split effective June 1, 1992) shares. In May, 1992 this second 10 percent program was completed. The Company is currently pursuing an additional 5 percent buyback program. At June 30, 1992 the Company had repurchased a total of 20.0% of its outstanding, common stock. The Company has not set any date by which the additional shares will be acquired, and further purchases may extend over the next few fiscal quarters. The Company's net worth, net of the repurchases and anticipated repurchases will still be well above the amount currently required for minimum regulatory capital.

As of April 17, 1992, the Bank was granted a charter by the Pennsylvania State Department of Banking, and converted from a federal stock savings bank to a state stock savings bank. The Bank's primary federal regulator is the Federal Deposit Insurance Corporation.

As required by FIRREA, the FDIC has established minimum capital requirements for all insured institutions under its authority. Effective April 10, 1991, the FDIC revised its capital regulations by replacing primary and total capital with a Tier I (Core) capital definition. Under the new regulations, the Bank is required to maintain a minimum level of 3% Tier I capital as a percentage of regulatory assets. In March, 1989, the FDIC adopted a "statement of policy on risk-based capital" to supplement existing capital requirements. The statement states that by December, 1992, banks will be expected to meet a minimum risk-based capital ratio of 8%, of which at least 4% must be in Tier I or Core capital.

In addition, the Federal Reserve Board has approved final minimum leverage ratio guidelines (Tier I capital to total assets, less goodwill) for bank holding companies. These guidelines provide a minimum leverage ratio of 3% for bank holding companies that meet certain specified criteria, including that they have the highest regulatory rating. All other bank holding companies will be required to maintain a leverage ratio of 3% plus an additional cushion of 100 to 200 basis points. The guidelines also indicate that when appropriate, including when a bank holding company is undertaking expansion, engaging in new activities or otherwise facing unusual or abnormal risk, the Board will continue to consider a "tangible Tier 1 leverage ratio" (deducting all intangibles) in making an overall assessment of capital adequacy.

The following table details the Bank's regulatory capital ratios as of June 30, 1992:

Capital Analysis (amounts in thousands)	
Capital:	
Shareholders' equity	$ 88,368
Less intangible assets	2,623
Tier I capital	85,745
Allowable portion of allowance for loan losses	8,156
Tier II capital	8,156
Total capital	93,901
Total risk-weighted assets	$543,715
Ratios:	
Tier I capital to risk-weighted assets	15.8%
Tier II capital to risk-weighted assets	1.5%
Total capital to risk-weighted assets	17.3%
Leverage ratio	7.7%

Asset and Liability Management

A principal part of Franklin First's asset/liability management has been to reduce its exposure to interest rate fluctuations by matching more closely the effective maturities and repricing dates of its assets and liabilities. The Company's strategy has involved: (i) increasing the interest sensitivity of its assets by originating and purchasing adjustable rate mortgages (ARMs), by originating consumer and commercial loans and by decreasing the Bank's portfolio of long-term fixed rate mortgage loans; (ii) emphasizing passbook and NOW account deposits and lengthening the effective maturity of deposits and borrowings; (iii) entering into interest rate swap agreements as market conditions warrant.

Generally, as interest rates on fixed rate mortgage loans fall, the demand for ARMs also falls because borrowers have the opportunity to lock in a relatively low rate on a fixed rate term. During the six months ended June 30, 1992, the Bank originated $2.0 million of ARMs. This figure represents 2.2% of total mortgage originations for the period. During the six months ended June 30, 1991, the Bank originated $3.4 million of ARMs which represented 8.3% of total mortgage originations for the period.

To complement ARM originations in the Company's local market, the Bank has acquired packages of adjustable rate mortgage-backed securities from the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Government National Mortgage Association ("GNMA"). At June 30, 1992, $167.4 million or 44.8% of the Company's mortgage-backed securities had adjustable rates. Such securities assist in reducing interest rate risk, although periodic and lifetime interest rate adjustment "caps" contained in most of these securities limit the interest rate sensitivity of such securities in higher interest rate environments.

Franklin First continues to emphasize the originations of consumer loans, and, to a lesser extent, commercial real estate loans and commercial business loans. In general, consumer and commercial loans have shorter maturities and greater interest rate sensitivity than adjustable rate residential real estate loans since many consumer and commercial loans adjust almost immediately when the prime rate adjusts rather than at fixed anniversary dates ranging from one to three years as is the case for adjustable rate real estate loans. During the six months ended June 30, 1992, the Company originated $56.4 million of consumer loans, $.2 million of commercial real estate loans and $1.0 million of commercial business loans. This level of originations compares to originations of $34.4 million of consumer loans, $1.1 million of commercial real estate loans and $3.0 million of commercial business loans during the six months ended June 30, 1991.

As part of its strategy to decrease the Company's portfolio of long term fixed rate mortgages, the Company has begun the practice of selling certain fixed rate real estate loans in the secondary market. During the first six months of 1992, the Company sold approximately $45.0 million of these loans at a net gain of $679,000. The proceeds of these sales were used primarily to finance current lending activities. Such sales, in addition to aiding Franklin First's asset/liability management strategy, have contributed long-term value by increasing the portfolio of loans serviced for others, since it is the Company's policy to continue to service these loans. Fees generated from servicing these loans are a continuing source of non-interest income. Loans serviced for others amounted to $255.2 million at June 30, 1992 and provided approximately $203,000 of loan servicing fees for the six months then ended. At June 30, 1992 the Company had $13.3 million of long term, fixed rate mortgage loans held for sale.

Management believes, based on historical experience that a substantial portion of its passbook deposits and NOW checking accounts represent non-interest sensitive core deposits. Accordingly, Franklin First has sought to decrease the interest sensitivity of its liabilities by emphasizing passbook deposit accounts, and also by marketing long-term certificates of deposit with attractive rates and premiums and by using long term fixed rate borrowings from the FHLB. As of June 30, 1992, the Company's passbook deposits totaled $173.5 million (22.4% of total deposits) and NOW checking accounts totaled $79.7 million (10.3% of total deposits). At June 30, 1992, the Company has $120.6 million of certificates of deposit with maturities in excess of one year and $60.0 million of FHLB advances with maturities greater than one year.

The excess of interest-earning assets over interest-bearing liabilities which are expected to mature or reprice within a given period is commonly referred to as the gap ("GAP") associated with that period. A key measure of GAP for financial institutions is the one-year GAP. For a company with a negative one-year GAP, which is common among thrift institutions, the amount of income earned on its assets fluctuates less than the cost of its liabilities in response to the changes in prevailing rates of interest during the period. Accordingly, in a period of rising interest rates, companies with a negative one-year GAP will experience an increase in the yield on their assets less than the increase in the cost of their liabilities. Conversely, in a period of falling interest rates, companies with a negative one-year GAP face a decrease in the yield on their assets which is less than the decrease in the cost of their liabilities. The Company establishes a target one-year GAP which is reevaluated continuously. The establishment of this goal and the continued monitoring of the Company's asset/liability management efforts is the responsibility of the Asset/Liability Management Committee which meets at least monthly, and more often as circumstances warrant. The findings and recommendations of the Committee are reported to the Board of Directors on a regular basis. At the present time, management has set a goal for its one year gap not to exceed negative 15%.

As a result of the Company's asset/liability management efforts, the one-year negative GAP was 7.77% as of June 30, 1992, and 6.3% as of June 30, 1991 and never exceeded negative 10.0% at any quarter end during the past several quarters.

The following table sets forth detailed information concerning the Company's GAP position as of June 30, 1992:

	1 YEAR OR LESS	MORE THAN 1 YEAR TO 3 YEARS	MORE THAN 3 YEARS TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
	(Dollars in thousands)				
Interest-Earning Assets:					
Loans and mortgage-backed securities	$404,937	$253,575	$125,869	$207,374	$ 991,755
Other	51,943	4,374	702	12,230	69,249
Total Interest-Earning Assets	456,880	257,949	126,571	219,604	1,061,004
Interest-Bearing Liabilities:					
Deposits	441,892	143,633	70,943	117,094	773,562
Borrowings	101,446	60,000	-	39,436	200,882
Total Interest-Bearing Liabilities	543,338	203,633	70,943	156,530	974,444
GAP for the period	$(86,458)	$ 54,316	$ 55,628	$ 63,074	$ 86,560
Cumulative GAP	$(86,458)	$(32,142)	$ 23,486	$ 86,560	
Cumulative GAP as a percentage of total assets	(7.77%)	(2.89%)	2.11%	7.78%	

Lending Activities

The primary lending activity of the Bank is the origination of conventional loans (i.e., loans that are neither insured nor guaranteed in whole or in part by governmental agencies) secured by first mortgages on residential properties, principally one-to-four family owner-occupied residences. Offered rates for mortgage loans are adjusted periodically to be competitive in the Company's market area. Substantially all originated loans are located in the market area serviced by the Company's branches and offices. However, the Bank has general authority to originate and purchase loans secured by real estate throughout the United States.

The Company currently offers its customers fixed and adjustable rate first mortgage loans with maturities typically ranging from 15 to 30 years, and generally underwrites residential permanent mortgage loans in accordance with underwriting standards and requirements acceptable to both FNMA and FHLMC.

The following table sets forth detailed information concerning the composition of the Bank's loan portfolio as of the dates specified.

	June 30, 1992		December 31, 1991	
	Amount	%	Amount	%
Real estate first mortgage loans				
One-to-four family residential	$436,314	68.6%	$440,740	71.7%
Commercial and other	44,233	6.9%	44,272	7.2%
Total real estate first mortgage loans	480,547	75.5%	485,012	78.9%
Consumer Loans				
Home Equity	15,781	2.5%	16,517	2.7%
Auto	78,075	12.3%	54,916	8.9%
Education	4,627	.7%	4,252	.7%
Second mortgages	27,740	4.4%	25,607	4.2%
Savings account	5,800	.9%	6,848	1.1%
Other	7,531	1.2%	5,247	.8%
Total consumer loans	139,554	22.0%	113,387	18.4%
Commercial business loans	16,117	2.5%	16,464	2.7%
Total gross loans receivable	636,218	100.0%	614,863	100.0%
Less:				
Deferred loan fees	7,741		7,592	
Allowance for loan losses	9,684		8,847	
Loans receivable, net	$618,793		$598,424	

At June 30, 1992, first mortgage loans (including construction loans) secured by one-to-four family homes comprised approximately $436.3 million or 68.6% of the Bank's gross loan portfolio. Generally, these loans (other than construction loans) are fully amortized through equal monthly payments of principal and interest to their maturity. The Bank normally makes conventional first mortgage loans up to 80% of the independently appraised value or purchase price of one-to-four family dwellings, whichever is less. However, the Bank will originate mortgage loans on one and two family owner occupied residences up to 95% of the appraised value or purchase price if the borrower purchases satisfactory mortgage guarantee insurance.

Substantially all loans for construction are conventional mortgages made to individuals who are building homes for their own occupancy as primary or secondary residences. These construction loans typically provide for the payment of interest, but not principal, until the earlier of completion of the project or one year after the date of the loan closing. The loan proceeds are disbursed in increments as construction progresses and as warranted by inspections, conducted by an employee of the Bank or a qualified professional independent inspector. Thereafter, the loan, which generally begins as a fixed rate loan, automatically converts into an amortizing permanent mortgage loan which may be either a fixed or adjustable rate loan, with the Bank providing the long term financing.

Net loans receivable increased 3.4% or $20.4 million as of June 30, 1992 compared to December 31, 1991. Residential loan originations totaled $91.9 million for the six month period ended June 30, 1992 compared to $40.8 million for the six month period ended June 30, 1991. Franklin's position in the local lending market remains strong. Originations for the six month period ended June 30, 1992 increased 125.2% compared to originations for the same period during the preceding year. Although refinancing activity accounted for a significant percentage of the originations during the 1992 period, the increase in originations from period to period, excluding refinancing activity for both periods, totaled 31.7%. Overall, management expects that residential loan originations for the year ended December 31, 1992 will exceed originations during 1991.

In addition to the above, consumer loans increased by 23.1% from December 31, 1991 through June 30, 1992. Commercial business loans decreased 2.1% during the same period. The increase in consumer loans is primarily attributable to an increase in indirect auto loans. Approximately 40% of the indirect auto loans included in the increase are covered under repurchase provisions included in the Bank's agreements with local auto dealers. In addition, although the application is completed by the dealer, final approval of the loan is reserved for the Bank's loan underwriters.

Asset Quality

The Bank's Asset Classification Committee meets quarterly or more often as required and makes periodic reports and recommendations to the Board of Directors regarding loan loss allowances. The Committee considers each specific problem loan as well as general factors including the state of the economy in those areas where assets securing loans are located. It also considers risks associated with new business activities, such as the Bank's commercial and growing consumer loan programs. At such periodic reviews, the Committee can consider allocating general allowances or specific allowances if particular problems develop, increasing general and specific allowances or eliminating allowances if situations improve. Allowances may be increased in the future as Franklin First continues to grow and diversify its business and as the Committee continues to monitor the general economic circumstances in those areas where Franklin First's assets are located.

Allowance for loan losses: The Bank's policy is to maintain allowances for loan losses at a level believed by management to be adequate to absorb potential losses inherent in the loan portfolio. Management's determination of the adequacy of the allowance is the responsibility of the Asset Classification Committee and is determined quarterly based on a continuing evaluation of the portfolio, past loss experience, current and anticipated economic conditions and other factors deemed relevant. Additions to the allowances are charged to operations.

At June 30, 1992, the allowance for loan losses totaled $9.7 million or 1.52% of total gross loans receivable. Charge-offs, net of recoveries, totaled $504,000 for the six months ended June 30, 1992 and were 0.08% of average loans outstanding for the period.

At June 30, 1991, the allowance for loan losses totaled $8.7 million or 1.55% of total gross loans receivable. Charge-offs, net of recoveries, totaled $195,000 for the six months ended June 30, 1991 and were 0.04% of average loans outstanding for the period.

The following tables set forth certain information with respect to the Bank's allowance for loan losses and charge-offs:

	Quarter Ended June 30, 1992	Quarter Ended June 30, 1991
	(Dollars in thousands)	
Beginning balance, allowance for loan losses	$9,438	$8,374
Charge-offs, net of recoveries	(504)	(195)
Additions to provisions for losses	750	500
Balances at end of periods	$9,684	$8,679
Net charge-offs during the period as a percentage of average loans outstanding during the period	.08%	.04%

Allowance for Loan Losses:

	June 30, 1992 Amount	June 30, 1992 Percent of Total	December 31, 1991 Amount	December 31, 1991 Percent of Total
		(Dollars in thousands)		
Allocated to:				
Residential Real Estate Mortgage Loans	$1,201	12.4%	$ 888	10.0%
Commercial Real Estate Mortgage Loans	5,060	52.2%	5,701	64.4%
Commercial Business Loans	1,451	15.0%	740	8.4%
Consumer Loans	1,972	20.4%	1,518	17.2%
Total Allowance for Loan Losses	$9,684	100.0%	$8,847	100.0%

Non-Performing Assets: The following table presents information about the Company's non-performing assets for the period indicated.

	June 30, 1992	December 31, 1991
	(Dollars in thousands)	
Nonaccrual loans:		
Mortgage loans:		
Residential	$ 7,848	$ 7,159
Commercial	3,166	2,951
Commercial business loans	349	307
Consumer loans	505	544
Total non-accrual loans	11,868	10,961
Restructured:		
Commercial loans	5,525	7,991
Total non-performing loans	17,393	18,952
Real estate owned, net:		
In-substance-foreclosure	1,128	213
Other	3,699	4,285
Total non-performing assets	$22,220	$23,450
Non-performing loans as a percentage of gross loans receivable	2.7%	3.1%
Non-performing assets as a percentage of total assets	2.0%	2.2%

Non-performing assets are comprised of non-accrual and restructured loans, and real estate owned. Real estate owned is carried at net realizable value and includes real estate acquired in settlement of loans and real estate which is considered "in-substance foreclosed" as described in Statement of Financial Accounting Standards No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings."

Loans that become ninety days past due are classified as nonaccrual. An allowance is provided for the total amount of accrued interest on such loans and the provision is charged against interest income. In addition, loans less than 90 days past due are classified as nonaccrual if the financial condition of the borrower raises significant concern with regard to the ability of the borrower to service the debt in accordance with current loan terms (i.e., performing - non-performing loans). A loan remains in nonaccrual status until the factors which indicated doubtful collectibility no longer exist or until the loan is determined to be uncollectible and is charged off against the allowance for loan losses.

The Bank's lending activities for residential and commercial real estate and commercial business loans have traditionally been concentrated in its local market area which includes Luzerne County and other counties in Northeastern Pennsylvania including the Pocono Region. However, from time-to-time, the Bank has purchased loans located in Texas and other parts of the country. Substantially all of its consumer lending activities have been in its local market. Because economic conditions vary significantly throughout the country, the risks of lending in different geographic locations also varies significantly. Beginning in 1988, management concluded that the risk-return related to lending outside its local market did not warrant a continuation of such prior lending practices. Therefore, for the foreseeable future and depending upon current market conditions, except for work-out situations relating to loans and real estate owned in its portfolio, the Bank will no longer extend credit to borrowers outside its market area.

Texas Loan Portfolio:

At June 30, 1992, $16.4 million or 2.6% of the Bank's total gross loans receivable were located in Texas. Total non-performing loans in Texas were $5.9 million or 35.9% of the Texas gross loans receivable at June 30, 1992. Non-performing Texas loans totaled $8.3 million at December 31, 1991 and as a percentage of Texas gross loans receivable were 48.6%. Net real estate owned at June 30, 1992 in Texas totaled $4.2 million including $1.1 million classified as in-substance foreclosures. At June 30, 1992, the largest single loan in Texas had a $1.7 million principal balance.

All but one of the Texas loans were acquired prior to 1987, and all of these loans are being serviced for the Bank by unaffiliated servicers. The Bank carefully monitors the depressed state of the real estate market in Texas. Lessors in those areas face the dual risks of vacancies and tenant defaults. Because of a glut of available rental space, many landlords are offering bargain rental rates and other economic concessions. Therefore, even landlords of well located and maintained buildings have found it difficult to attract tenants for vacant space at satisfactory rentals and to retain existing tenants at acceptable rates when leases expire. Certain of the Bank's borrowers have been granted certain rate reductions or other economic concessions in order to assist them in meeting their mortgage obligations. This economic environment, in some cases, has resulted in negative cash flow from properties securing the loans. In some cases, the modifications made by the Bank follow concessions made by its borrowers to their tenants.

Investments and Mortgage-Backed Securities

The following table sets forth the composition of the Company's investment securities at the dates indicated.

(Dollars in thousands)

	June 30, 1992		December 31, 1991	
	Amount	% of Portfolio	Amount	% of Portfolio
Investment securities at book value:				
United States Government, federal agencies and government corporations	$ 9,735	69.5%	$47,292	91.9%
Corporate debt obligations	753	5.4%	664	1.3%
Municipal obligations	3,319	23.7%	3,324	6.4%
Other investments	194	1.4%	189	.4%
Total investment securities at book value	$14,001	100.0%	$51,469	100.0%
Total investment securities at market value	$14,183		$51,797	
Gross unrealized:				
Gains	$ 350		$ 377	
Losses	168		49	
Net unrealized gain	$ 182		$ 328	

The weighted average yield for the Company's investment portfolio was 7.53% as of June 30, 1992, compared to 7.46% as of December 31, 1991.

At the time of purchase, it is the Company's intent to hold investment securities to maturity based upon an evaluation of the probability of the ocurrence of future events. Should the actual occurence of events anticipated by the Company differ, in a substantial measure, from the Company's forecast, the Company's intent to hold investment securities to maturity may be reevaluated. Investment securities declined 72.8% or $37.5 million from December 31, 1991 to June 30, 1992. The decline was due primarily to the liquidation during January, 1992 of $27.9 million of U.S. Treasury Strips together with $9.7 million of FNMA Capital Debentures. These securities were classified as held for sale at December 31, 1991. When purchased, these securities had been classified as held for investment. However, due to the significant improvement in their market value during December, 1991 and concern about the continued market volatility of these securities, management decided to sell these securities and; consequently, transferred then to the held for sale category at December 31, 1991.

Mortgage-Backed Securities: At the time of purchase, it is the Company's intent to hold mortgage-backed securities to maturity based upon an evaluation of the probability of the occurrence of future events. Should the actual occurrence of events anticipated by the Company differ, in a substantial measure, from the Company's forecast, the Company's intent to hold mortgage-backed securities to maturity may be reevaluated. At June 30, 1992, the Company's investment of $373.6 million in mortgage-backed securities represented 33.7% of its total assets.

This portfolio consisted of securities issued and guaranteed by GNMA, FHLMC and FNMA, backed by both fixed rate and adjustable rate mortgages. Mortgage-backed securities, to the extent that they have adjustable rates, aid in the Company's asset/liability management.

At June 30, 1992 the market value of the Company's investment in mortgage-backed securities totaled $380.3 million resulting in an unrealized gain of $6.7 million. At December 31, 1991 the market value of the Company's investment in mortgage-backed securities totaled $336.3 million resulting in an unrealized gain of $8.7 million.

Deposits and Borrowings

Deposit inflows and outflows are influenced significantly by money market and general interest rate conditions, although the Bank has the ability to respond to market conditions through the pricing of deposit accounts. Scheduled loan payments are a relatively stable source of funds, whereas, loan prepayments are a more volatile source of funds. Borrowings may be used on a short-term basis to compensate for reductions in normal sources of funds or on a longer term basis to support expanded lending activities.

Deposits: The Bank maintains a stable base of core deposits. During the past five years, passbook accounts, which were paying 4.25% interest at June 30, 1992 and currently pay 3.75% interest, as a percentage of total deposits ranged from 19.17% to 22.44%. Other products include NOW checking accounts, money market deposit accounts ("MMDAs") and certificates of deposit ranging in terms from seven days to ten years, including $3.4 million at June 30, 1992 of certificates of deposit in denominations of $100,000 or more ("Jumbos"), and certificates designed for Individual Retirement Accounts and Keogh Plans. Management believes the Bank's core deposit base and overall variety of deposits have allowed the Bank to be competitive in attracting and retaining funds. In order to better align its rate structure with the rates predominate within its market area without decreasing its competitiveness, the Bank has decreased the rates paid on passbook accounts from 4.25% to 3.75% and from 4.00% to 3.25% on NOW checking accounts effective August 1, 1992.

Deposits increased 5.4% or $39.7 million during the six month period ended June 30, 1992; however, after considering interest credited to deposit accounts totaling $13.4 million, the net cash inflow for the period totaled $26.3 million. Deposits increased 4.9% or $32.4 million during the same period in 1991; however, after considering interest credited to deposit accounts during this period totaling $15.9 million, the net cash inflow for the period totaled $16.5 million.

The following table sets forth the principal classes of the Bank's deposits by average rate and amount.

	June 30, 1992		December 31, 1991	
	Average Rate	Amount	Average Rate	Amount
	(Dollars in thousands)			
Passbook Accounts	4.25%	$173,504	5.25%	$146,966
NOW Checking Accounts	4.00%	79,740	5.00%	75,987
Money Market Accounts	3.81%	93,808	5.00%	75,915
	4.07%	347,052	5.12%	298,868
Certificates of Deposit:				
Greater than $100,000	4.00%	3,350	5.49%	17,309
Other	6.19%	422,906	6.90%	417,386
	6.17%	426,256	6.84%	434,695
Total	5.23%	$773,308	6.14%	$733,563

Maturities on Certificates of Deposit Greater than $100,000 at June 30, 1992 are:

	(In thousands)
3 months or less	$3,010
3 to 6 months	224
6 to 12 months	116
Thereafter	-
Total	$3,350

Borrowings: The FHLB System functions as a reserve credit facility for thrift institutions and certain other home financing institutions. As a member of the FHLB System, the Bank is required to own capital stock in the FHLB of Pittsburgh and is authorized to apply for advances on the security of such stock and certain of its home mortgages and other assets (principally securities which are obligations of, or guaranteed by, the United States) provided certain creditworthiness standards have been met. Under its current credit policies, the FHLB System limits advances based on a member's assets, total borrowings and regulatory capital and expects members to maintain a reserve as a provision for unanticipated needs.

At June 30, 1992, FHLB of Pittsburgh advances to the Bank were $65.0 million. In addition, the Company has outstanding reverse repurchase agreements with the FHLB of Pittsburgh totaling $65.7 million at June 30, 1992.

The following table sets forth the borrowings of the Company at the dates indicated.

	June 30, 1992	December 31, 1991
	(Dollars in thousands)	
Advances from FHLB of Pittsburgh	$ 65,000	$ 66,000
Reverse repurchase agreements	96,446	91,725
Collateralized mortgage obligations	39,436	41,846
Advances on line of credit	-	3,000
Other (1)	8,395	14,069
Total	$209,277	$216,640

(1) Principally non-interest bearing cash disbursements to be funded at the Bank's depository bank.

Yield/Cost Analysis

The following table sets forth certain information relating to the Company's average Consolidated Statement of Financial Condition and reflects the weighted average yield on assets and weighted average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the weighted average balance of assets or liabilities, respectively, for the periods shown.

	Three Months Ended June 30,					
	1992			1991		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
Assets:						
Interest-earning assets:						
Loans	$ 625,290	$15,745	10.07%	$538,758	$13,952	10.36%
Mortgage-backed securities	376,111	6,794	7.23%	286,997	6,235	8.69%
Investments and other interest-earning assets(1)	45,289	652	5.76%	89,224	1,580	7.08%
Total interest-earning assets	1,046,690	23,191	8.86%	914,979	21,767	9.51%
Non-interest earning assets	55,387			47,660		
Total assets	$1,102,077			$962,639		
Liabilities and retained earnings:						
Interest-bearing liabilities:						
Deposits	$ 767,035	$10,071	5.27%	$686,709	$11,398	6.66%
Short-term borrowings	104,655	1,035	3.97%	79,922	1,157	5.81%
FHLB borrowings	65,000	1,105	6.82%	26,000	579	8.94%
Collateralized mortgage obligations	39,913	967	9.72%	44,317	1,059	9.59%
Total interest-bearing liabilities	976,603	13,178	5.43%	836,948	14,193	6.80%
Other liabilities	31,873			32,178		
Total liabilities	1,008,476			869,126		
Shareholders' equity	93,601			93,513		
Total liabilities and shareholders' equity	$1,102,077			$962,639		
Net interest income/rate spread		$10,013	3.43%		$ 7,574	2.71%
Net interest-earning assets/net yield on average interest-earning assets	$ 70,087		3.80%	$ 78,031		3.30%
Interest earning assets as a percentage of interest-bearing liabilities			107%			109%

(1) Includes stock in the FHLB of Pittsburgh and interest-bearing deposits in banks. Yields on tax-exempt obligations have not been computed on a tax equivalent basis.

Rate Volume Analysis

The table below sets forth certain information regarding the changes in the components of net interest income for the periods indicated. For each category of interest earning asset and interest bearing liability, information is provided on changes attributed to: (1) changes in rate (change in rate multiplied by old volume); (2) changes in volume (change in volume multiplied by old rate); (3) the total. The net change attributable to the combined impact of volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

	Quarter Ended June 30,					
	1992 Compared to 1991 Increase (Decrease)			1991 Compared to 1990 Increase (Decrease)		
	Due to			Due to		
	Rate	Volume	Total	Rate	Volume	Total
Interest income on interest-earning assets:						
Loans	$(378)	$ 2,171	$1,793	$(392)	$1,067	$ 675
Mortgage-backed securities	(659)	1,218	559	(61)	1,746	1,685
Investment securities and other investments	(255)	(673)	(928)	(226)	(570)	(796)
	(1,292)	2,716	1,424	(679)	2,243	1,564
Interest expense on interest-bearing liabilities:						
Deposits	(3,019)	1,692	(1,327)	(512)	746	234
Short-term borrowings	(5,278)	5,156	(122)	(67)	707	640
FHLB borrowings	(99)	625	526	-	-	-
Collateralized mortgage obligations	15	(107)	(92)	7	(97)	(90)
	(8,381)	7,366	(1,015)	(572)	1,356	784
Net change in net interest income	$ 7,089	$(4,650)	$2,439	$(107)	$ 887	$ 780

Results of Operations:

General: Net income increased for the six and three month periods ended June 30, 1992 by 56.7% to $5.8 million and by 84.4% to $3.3 million, respectively, over the comparable periods ended June 30, 1991. The increases were due principally to increases in net interest income and other fees and charges net of increases in the provision for loan losses and in operating expenses. Core earnings, defined as net interest income before provision for loan losses plus fee income less operating expenses and excluding any gains or losses on the sale of loans, mortgage-backed securities or investments, increased 41.6% to $10.4 million and 45.1% to $5.6 million for the six and three month periods ended June 30, 1992 compared to the same periods for 1991.

Net interest income: Net interest income for the six and three month periods ended June 30, 1992 increased 29.6% or $4.4 million and 32.2% or $2.4 million, respectively, over the comparable periods ended June 30, 1991. The increases are attributable to a decrease in the cost of interest bearing liabilities offset by a decrease, to a lesser degree in the yield of interest earning assets, coupled with increases in the volume of loans and the portfolio of mortgage-backed securities. (Refer to the Yield/Cost Analysis for additional information).

Provision for loan losses: The provision for loan losses totaled $1.5 million and $.8 million for the six and three month periods ended June 30, 1992 compared to $1.0 million and $.5 million for the six and three month periods ended June 30, 1991, respectively. Management considers numerous factors in determining the provision for loan losses including loss experience, economic conditions and estimated collateral value. The increase in the provision for loan losses during the first and second quarters of 1992 was the result of this ongoing evaluation with particular emphasis on the recent recession and the potential impact on the real estate market. At June 30, 1992, the allowance for loan losses (excluding interest in arrears of $1.1 million which is accrued as income and offset by a 100% allowance) totaled $9.7 million (1.5% of gross loans receivable) which included $1.6 million in specific allowances related to particular loans and $8.1 million in general allowances. At June 30, 1991, the allowance for loan losses totaled $8.7 million (1.6% of gross loans receivable). For additional information see Asset Quality section.

Other income: Total other income for the six and three month periods ended June 30, 1992 compared to the same periods ended June 30, 1991 increased to $2.5 million and $1.6 million from $1.1 million and $.3 million, respectively. Other fees and charges for the six and three month periods increased 29.8% and 29.6% over the prior years' periods primarily as a result of changes to and increases in the Bank's service fee structure which were implemented during February 1992. Management is committed to an ongoing analysis of customer services, related fees and charges for the purpose of enhancing fee income and thereby offsetting the Company's exposure to income fluctuations arising from changing interest rates. The increase in net gain (loss) from the sales of loans, mortgage-backed securities and investments for the six and three month periods was due primarily to the substantial increase in the gain on sales of loans realized as a result of increased secondary marketing activity during 1992.

Other expense: Other expenses for the six and three month periods ended June 30, 1992 increased 19.7% or $1.7 million and 20.3% or $.9 million, respectively, over the comparable periods ended June 30, 1991. The operating expense categories that exhibited the most significant increases were marketing, SAIF insurance and other expenses. Marketing expense increased 86.9% to $.8 million for the six months ended June, 1992 and 146.2% for the quarter ended June, 1992 compared to the same periods ended 1991 as a result of the efforts to increase the Bank's media exposure during 1992. The 11.7% increase in SAIF insurance expense for the six and three month comparative periods was the result of increased deposits between periods. Other expenses increased 43.9% and 43.3% for the six and three month comparative periods, respectively, as a primary result of increases in the general reserve for Real Estate Owned and in professional services.

Income tax expense: The effective income tax rates for the 1992 and 1991 periods were approximately 40% and 39%, respectively.

In early 1992, Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), was issued. SFAS 109 changes the method of accounting for income taxes. Adoption of SFAS 109 is required for fiscal years beginning after December 15, 1992, with earlier adoption permitted. The Company has not yet fully determined the impact of the adoption of SFAS 109 on results of operations. However, management does not anticipate that the adoption of SFAS 109 would have a material effect on the Company's financial condition.

Part II. Other Information

Item 1. Legal Proceedings

The Company is not involved in any pending legal proceedings, other than proceedings undertaken in the ordinary course of business which are not believed to be material to the financial condition of the Company.

Item 2. Changes in Securities

NONE

Item 3. Defaults on Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Security Holders

(a) An annual meeting of the Shareholders of the Company was held on April 22, 1992.
(b) Omitted pursuant to instruction 3.
(c) No other matters were voted upon at the meeting.
(d) NONE

Item 5. Other Information

NONE

Item 6. Exhibits and Reports of Form 8-K

(a) NONE
(b) Form 8-K, Filed May 21, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: FRANKLIN FIRST FINANCIAL CORP.

BY: /s/ Thomas H. van Arsdale
Thomas H. van Arsdale, President
and Chief Executive Officer

Dated: August 13, 1992

/s/ Richard F. Mebane
Richard F. Mebane, Principal
Financial Officer, Treasurer

Dated: August 13, 1992

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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(x) Quarterly Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the Quarterly period Ended: January 31,1992
OR
( ) Transition Report Under Section 13 or 15(d) The Securities Exchange Act of 1934

Commission File Number 0-2825

SWISS CHALET, INC.
(Exact name of Registrant as specified in its charter)

COMMONWEALTH OF PUERTO RICO	66-020-0307
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

105 De Diego Avenue
Santurce, Puerto Rico 00911
(Address of pricipal executive offices) (Zip Code)

(809) 721-1200
(Registrant's telephone number, including area code)

Unchanged
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES_x__ NO_____

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES_x__ NO____

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practical date:

Number of shares of Common Stock outstanding at January 31, 1992: 1,441,865

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL INFORMATION

SWISS CHALET, INC.

CONDENSED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED JANUARY 1992 and 1991

(UNAUDITED) - NOTE A

	NINE MONTHS ENDED JANUARY 31		THREE MONTHS ENDED JANUAR/ 31	
	1992	1991	1992	1991
Net Sales and Other Income	$ 2,875,444	$ 2,858,678	$1,113,160	$1,103,247
Insurance Claim	-	9,250	-	-
TOTAL INCOME	$ 2,875,444	$ 2,867,928	$1,113,160	$1,103,247
Costs and Expenses				
Costs of Sales	70,364	66,233	23,752	26,928
Operating Expenses and other deductions	2,164,106	2,123,887	764,554	776,153
Interest Expenses	62,725	28,686	18,942	19,092
NET INCOME	$ 578,249	$ 649,122	$ 305,912	$ 281,074
Weighted Average Number of Common Shares Outstanding	1,478,914	1,720,173	1,461,332	1,497,918
NET INCOME PER SHARE	0.39c	0.38c	0.21c	0.19c

SWISS CHALET, INC.
CONDENSED BALANCE SHEETS
JANUARY 31,1992 AND APRIL 30,1991
(UNAUDITED) - NOTE A

	JANUARY 31 1992	APRIL 30 1991
ASSETS		
CURRENT ASSETS		
Cash	$ 196,975	$ 577,378
Accounts Receivable, Net	357,135	392,210
Inventories	15,947	35,305
Other Current Assets	41,434	15,179
TOTAL CURRENT ASSETS	$ 611,491	$ 1,020,072
INVESTMENT IN CONDOMINIUM AND LAND		
PROPERTY, PLANT AND EQUIPMENT, Net	3,661,058	3,882,672
OTHER ASSETS	20,675	17,677
TOTAL ASSETS	$ 4,293,224	$ 4,920,421
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Current Maturities of Long Term Debt	$ 574,947	$ 430,011
Accounts Payable and Accrued Expenses	483,386	577,632
Dividends Payable	127,653	618,917
TOTAL CURRENT LIABILITIES	$ 1,185,986	$ 1,626,560
LONG TERM DEBT,LESS CURRENT MATURITIES AND DEFERRED LIABILITIES	$ 435,847	$ 750,277
SHAREHOLDER'S EQUITY		
Common Stock at stated value	$ 720,933	$ 743,853
Additional paid in capital	3,750	3,750
Retained Earnings	1,946,708	1,795,981
	$ 2,671,391	$ 2,543,584
TOTAL LIABILITIES	$4,293,224	$ 4,920,421

SWISS CHALET, INC.

CONDENSED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTHS ENDED JANUARY 31,1992 AND 1991
(UNAUDITED) - NOTE A

	NINE MONTHS ENDED JANUARY 31	
	1992	1991
SOURCES OF FUNDS		
From Operations	$ 578,249	$ 649,122
From Stockholder Loans		683,649
USE OF FUNDS		
Interim Dividend	(221,238)	(223,171)
Reduction of Long Term Debt	(314,430)	
Additions to Property, Plant and Equipment (Net)	221,614	80,904
Purchase of Common Stock	(229,205)	1,717,475
Other Uses of Funds	(2,997)	(1,064)
CHANGE IN WORKING CAPITAL	$ 31,993	$(528,035)

SWISS CHALET, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited Condensed Financial Statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position in conformity with generally accepted accounting principles. The unaudited Condensed Financial Statements contain all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of Management, necessary to a fair statement of the results for the period presented. The interim results are not necessarily indicative of the results which may be expected for the full year. The subject Condensed Financial Statements should be read in conjuction with the summary of significant accounting policies set forth in Note 1 to the Financial Statements included in the Company's Annual Report to Shareholders for the year ended April 30,1991.

NOTE B - PROVISIONS FOR INCOME TAX

Local Income Tax is not provided for until the year end, however, if such provision had been made it would have amounted to less than $20,000.00 for the three month period.

NOTE C - REORGANIZATION UNDER CHAPTER XI

On June 14,1985, the Plan of Reorganization of the Company was confirmed by the Federal Bankruptcy Court. Details of the Plan have been previously reported in Forms 10-K and 8-K already in file.

SWISS CHALET INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is Management's discussion and analysis of certain significant factors which have affected the Company's earnings during the periods included in the accompanying Condensed Statements of Income.

A summary of the period to period changes in the principal items included in the Condensed Statement of Income is shown below:

	NINE MONTHS ENDED JANUARY 31		THREE MONTHS ENDED JANUARY 31	
	INCREASE (DECREASE)	%	INCREASE (DECREASE)	%
Net Sales and Other Income	$ 16,766	0.6	$ 9,913	0.6
Insurance Claim	(9,250)	(N/A)		
Cost of Sales	4,131	6.2	(3,176)	(11.8)
Operation Expenses and Other Deductions	40,219	1.8	(11,599)	(1.5)
Interest	34,039	118.7	(150)	0.8
Net Income	(70,873)	(10.9)	24,838	8.8

The results of the operation for the Quarter ended January 31 1992 reflect a 4.0% drop in occupancy from the prior year while the average rate rose 2.7% .These changes resulted in virtually flat revenues from room sales during the period. The rental of the restaurant area to Montenegro Inc. provided an increase of $30,000 during the current quarter in "Other Income". The rise in Interest Expense in the nine month period is directly attributable to the stockholder loans associated with the purchase of Company stock in November and December 1990.

The Company's primary source of working capital is from funds provided from operations. Working capital increased over the first nine months by $ 31,993. The Company believes that its excess cash from operations will be sufficient to finance its long and short term capital needs including the payment of accrued dividends and, should a temporary need occur, such as that which occurred as a result of the stock purchases (see below) in December and January of this year, two of the Company's Stockholders have granted the Company a $200,000 line of credit.

PART II

5. OTHER INFORMATION

In October 1990 the purchase of the stock of Mr. John Bradley, a longstanding member of the Board and its current Vice Chairman and Secretary, was approved by the Stockholders. This transaction was reported in detail in the 10Q filed for July 31 1990 and subsequent reports. On November 1 1990 the Company paid Mr Bradley the sum of $468,210 and signed a Note for $1,000,000 payable in 36 equal monthly installments of principal and interest of 8% per annum in payment for 293,642 shares at $5 per share. A similar offer was extended to other stockholders and, holders of 49,853 shares tendered them to the Company and received either cash (200 shares or less) or the same payment terms as Mr. Bradley (over 200 shares).

A further offer to Stockholders was made in October 1991 again at a price of $5 per share which was held open until January 31 1992. At the time of this Report 45,906 shares had been purchased in this manner.

6. EXHIBITS AND REPORTS ON FORM 8K

NONE

SWISS CHALET, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its be half by the undersigned thereunto duly authorized.

SWISS CHALET, INC.

DATE: [illegible]

BY: ______________________
GUSTAVO VELEZ-TORO
Executive V.P. and
Chief Operation Officer

DATE: 2/26/92

BY: ______________________
PETER D. SOMECH
Controller and Principal
Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 0-10543

Lake Shore Bancorp., Inc.
(Exact name of registrants as specified in its charter)

Delaware	36-3149540
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

605 N. Michigan Ave., Chicago, IL 60611
(Address of principal executive offices)
(Zip Code)

312-787-1900
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ____

The number of shares outstanding of the registrant's common stock ($.01 par value) was 7,889,063 at July 1, 1992.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The Consolidated Balance Sheet of Lake Shore Bancorp., Inc. as of June 30, 1992 and 1991 and December 31, 1991 and the Consolidated Statement of Income for six months ended June 30, 1992 and 1991 which appear in the accompanying June 30, 1992 Quarterly Report to Shareholders (Exhibit 20 of this report) are incorporated in this Form 10-Q Quarterly Report. These Reports should be read in conjunction with the Consolidated Statement of Changes in Shareholders' Equity for the six months ended June 30, 1992 and 1991, and the Consolidated Statement of Cash Flows for the six months ended June 30, 1992 and 1991, which are set forth on the following pages.

The consolidated interim financial statements are unaudited but, in the opinion of Management, all adjustments, consisting only of normal recurring accruals, necessary for the fair presentation of the financial position, results of operations and cash flows for such periods, have been made.

Lake Shore Bancorp., Inc.
Consolidated Statement of Cash Flows

(Dollars in thousands)	Six Months Ended June 30, 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,239	$ 6,174
Adjustments to reconcile net income to net cash provided by operations:		
Provision for loan losses	1,255	1,190
Depreciation/amortization	1,054	1,103
Amortization of investment security premiums - net of accretion of discounts	316	385
Amortization of intangibles	360	367
(Increase) decrease in interest receivable	(268)	22
Decrease in interest payable	(2,487)	(2,056)
Decrease in income taxes payable	(877)	(1,019)
Other, net	(1,152)	(476)
Net cash provided by operating activities	4,440	5,690
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(47,363)	(60,444)
Maturities of investment securities	42,240	37,708
Sales of investment securities		3,962
(Increase) decrease in loans	(14,343)	26,596
Expenditures for premises and equipment	(164)	(305)
Purchase of treasury stock		(3,750)
Net cash provided by (used in) investing activities	(19,630)	3,767
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in non-interest bearing deposits	(2,124)	(15,015)
Net increase (decrease) in interest bearing deposits	22,123	(2,342)
Net increase (decrease) in securities sold under repurchase agreements	1,677	(4,577)
Net increase (decrease) in short-term borrowings	431	(587)
Net increase (decrease) in notes payable	(475)	3,750
Cash dividends paid	(1,538)	(1,523)
Net cash provided by (used in) financing activities	20,094	(20,294)
Net increase (decrease) in cash & cash equivalents	4,904	(10,837)
Cash and cash equivalents at beginning of period	102,768	126,010
Cash and cash equivalents at end of period	$ 107,672	$ 115,173

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and federal funds sold.

Income taxes of $1,481,300 and $2,872,000 and interest of $20,201,000 and $26,887,000 were paid for the six months ended June 30, 1992 and 1991, respectively.

Lake Shore Bancorp., Inc.
Consolidated Statement of Changes in Shareholders' Equity

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
	(in thousands)	
Balance at beginning of period	$ 104,950	$ 99,287
Net income	6,239	6,174
Cash dividends declared	(1,538)	(1,523)
Unrealized gain on mutual funds investment		95
Shares issued under Stock Incentive Plan	32	47
Treasury stock - at cost, 250,000 shares		(3,750)
Balance at end of period	$ 109,683	$ 100,330

Cash dividends declared per share:	$ .195	$ .190

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Earnings per share for the second quarter of 1992 were $.40 representing a 9.09% decrease compared with $.44 for the same period of 1991. Second quarter net income decreased 7.73% from $3,427,000 for 1991 to $3,162,000 for 1992. For comparison purposes, it should be noted that second quarter results for 1991 were positively affected by approximately $730,000 in interest income before taxes received in connection with a recovery on a previously charged-off commercial loan. Earnings per share for the first six months of 1992 were $.79 representing a 1.28% increase compared to $.78 for the same period in 1991. Net income for the first six months of 1992 was $6,239,000 representing a 1.05% increase compared to $6,174,000 for the same period in 1991. Per share amounts are based on the weighted average number of shares outstanding.

Net interest income for the first six months of 1992 increased $612,000 or 2.87% to $21,918,000 compared to the first six months in 1991 of $21,306,000. The improvement in net interest income is primarily due to lower interest expense which is the result of overall lower interest rates and the shift by customers out of maturing certificates of deposit into lower yielding savings and NOW accounts. Net interest margin (tax equivalent basis) was 4.67% for the six months ended June 30, 1992 compared to 4.74% for the same period in 1991, which includes the effect of the $730,000 interest received on a previously charged-off commercial loan in May, 1991. The average prime rate for the first six months was 6.50% compared with 8.93% for the same period in 1991. The average rate paid on interest bearing deposits for the first six months of 1992 was 4.54% compared to 6.43% for the same period in 1991.

Average loans for the first six months of 1992 increased $29,829,000 or 4.15% to $748,387,000 compared to the first six months of 1991. The effort to develop new loan business shows encouraging results but borrowings by existing customers continue to be below historic utilization levels as a result of the prolonged economic slowdown.

The provision for loan losses was $1,255,000 for the first six months of 1992 and $1,190,000 for the same period of 1991 reflecting management's evaluation of several factors including overall growth in the loan portfolio, prior and current loss experience, current economic conditions and potential risk associated with non-performing loans and the portfolio in general. Loans in the commercial portfolio are risk coded and reviewed on a regular basis by the Senior Loan Committee which also considers loan concentrations and other important indicators of the portfolio's performance. Based upon review and in light of the various factors mentioned above, decisions are made on a quarterly basis regarding amounts to be charged off and additions to the allowance. Net loan charge-offs for the first six months of 1992 were $1,136,000 or 0.15% of total average loans compared to $776,000 or 0.11% for the comparable period in 1991. The allowance for loan losses was 1.39% of total loans at June 30, 1992 compared to 1.49% at June 30, 1991. The overall quality of our loan portfolio continues to be sound. Non-performing assets at June 30, 1992 totaled $4,447,000 or 0.58% of total loans compared to $5,254,000 or 0.74% at June 30, 1991.

Average assets for the first six months of 1992 increased $31,880,000 or 3.02% to $1,086,042,000 compared to the first six months of 1991. Return on average assets annualized as of June 30, 1992 was 1.15% versus 1.17% for the comparable period of 1991 while the annualized return on average equity was 11.64% compared to 12.51% for the same periods. Average equity to average assets increased from 9.36% for the first six months of 1991 to 9.87% for the first six months of 1992.

Generally, the Company's investment policy is to invest in highly rated government and municipal obligations and to hold these securities until maturity. This policy allows the Company to maintain an investment portfolio, the market value of which remains relatively consistent with book value despite fluctuations in the general level of interest rates. For the six months ended June 30, 1992, there were no sales of securities. Gross gains of $170,000 and gross losses of $154,000 were realized on sales during the first six months of 1991. Gross unrealized gains were $10,753,000 and $4,175,000 as of June 30, 1992 and 1991, respectively. Gross unrealized losses were $185,000 and $336,000, respectively.

The amortized cost and estimated market values of investment securities at June 30, 1992 and 1991, by maturity, are shown below (in thousands):

	Amortized Cost		Market Value	
	1992	1991	1992	1991
Due in One Year or Less	$ 51,329	$ 48,181	$ 52,165	$ 50,191
Due after One Year through Five Years	108,057	108,025	114,964	110,128
Due after Five Years through Ten Years	64,498	58,186	67,157	57,886
Due after Ten Years	572	1,032	552	1,010
	224,456	215,424	234,838	219,215
Mortgage-backed Securities	363	970	363	970
Other Securities	2,972	2,521	3,158	2,569
	$ 227,791	$ 218,915	$ 238,359	$ 222,754

The following table provides a comparison of assets and liabilities (in thousands) according to their sensitivities to interest rate changes at June 30, 1992. The relationships shown are for one day only; significant changes can occur in the sensitivity relationship as a result of market forces and management decisions. Moreover, although certain assets and liabilities may by their contractual terms change carrying interest rates within a certain period of time, they will not necessarily change at the same time or to the same extent.

	0-30 Days	31-90 Days	91-180 Days	181-364 Days	Over 1 Year	Total
Earning Assets	$ 575,449	$ 37,292	$ 34,569	$ 37,886	$ 341,138	$ 1,026,334
Interest-bearing Liabilities	307,430	215,501	106,516	91,256	35,033	755,736
Interest-sensitivity Gap	$ 268,019	$(178,209)	$(71,947)	$(53,370)	$ 306,105	$ 270,598

Consistent with the Company's established objective of maintaining strong capital levels, Tier I and total risk-based capital ratios were 13.19% and 14.48%, respectively, with a leverage ratio of 9.62%. These regulatory capital ratios are far in excess of the risk-based capital guidelines of 4.00% for Tier I capital and 8.00% for total risk-based capital, and the current leverage ratio requirement of 3.00%. They also exceed the recently announced FDIC criteria for "well capitalized" banks of 6.00% Tier I and 10.00% total risk-based capital, and leverage ratio of 5.00%.

The following table shows the risk-adjusted capital ratio and the leveraged capital ratio, as well as total risk-based capital for the Company and its wholly owned subsidiaries, Lake Shore National Bank and Bank of Hinsdale.

	Company		Lake Shore		Hinsdale	
	1992	1991	1992	1991	1992	1991
Tier I Capital	13.19%	13.04%	12.89%	13.02%	12.60%	12.62%
Total Risk-based Capital	14.48	14.46	14.15	14.53	14.07	13.43
Leveraged Capital	9.62	9.06	9.75	9.27	7.37	7.67

Other operating income increased $308,000 or 12.80% to $2,714,000 for the first six months of 1992 compared to $2,406,000 for the same period in 1991. The improvement in other operating income was primarily due to service charges on deposit accounts and letter of credit fees. Service charges on deposit accounts increased $147,000 or 9.54% to $1,689,000 for the first six months of 1992 compared to $1,542,000 for the same period in 1991. Letter of credit fees increased $95,000 or 42.59% to $319,000 for the first six months of 1992 compared to $224,000 for the same period in 1991.

Other operating expenses increased $474,000 or 9.61% for the first six months of 1992 compared to the same period in 1991. The increase is attributable primarily to higher FDIC insurance premiums and to expanded media advertising expenditures. Non-interest expenses are constantly being monitored to achieve overall cost savings.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Shareholders of the Company was held on April 20, 1992.

(b) Edwin L. Brashears, Jr., a director slated for reelection, did not stand for reelection. Thomas M. Mints, Jr. was elected in his place.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

20. - June 30, 1992 Quarterly Report.

(b) Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lake Shore Bancorp., Inc.
(Registrant)

Date: August 12, 1992
William C. Mitchell
William C. Mitchell, Chairman

Date: August 12, 1992
Sharon S. Peterson
Sharon S. Peterson, Treasurer

QUARTERLY REPORT

June 30, 1992

LAKE SHORE BANCORP, INC.

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LAKE SHORE BANCORP., INC.
INVESTOR INFORMATION

NASDAQ National Market System

Symbol: LSNB

Generally appears as LakeShore or LkeShr in newspaper stock tables.

Firms active as market makers are:

- **Keefe, Bruyette & Woods, Inc.**
- **Rodman & Renshaw, Inc.**
- **Stifel, Nicolaus & Co., Inc.**
- **The Chicago Corporation**
- **William Blair & Company**
- **Herzog, Heine, Geduld, Inc.**
- **Kemper Securities Group, Inc.**

June 30, 1992 stock price: $21.75

SECOND QUARTER HIGHLIGHTS

	1992	1991	Percent Change
Three Months Ended June 30			
Per Share			
Net Income	$ .40	$ .44	(9.09)%
Dividends Declared	.10	.095	5.26
Six Months Ended June 30			
Per Share			
Net Income	$ .79	$ .78	1.28
Dividends Declared	.195	.190	2.63
Book Value	13.90	12.72	9.28
Return on Average Assets*	1.15%	1.17%	
Return on Average Equity*	11.64	12.51	
Average Shareholders' Equity to Average Assets	9.87	9.36	
Allowance for Loan Losses to Total Loans	1.39	1.49	
Regulatory Capital			
Tier I	13.19%	13.04%	
Total Risk-based	14.48	14.46	
Leveraged	9.62	9.06	

*annualized

To Our Shareholders:

We are encouraged, although not satisfied, to report earnings per share for the first six months of 1992 were $.79 representing a 1.28% increase compared to $.78 for the same period in 1991. Net income for the first six months of 1992 was $6,239,000 representing a 1.05% increase compared to $6,174,000 for the same period in 1991.

Earnings per share for the second quarter of 1992 were $.40 representing a 9.09% decrease compared with $.44 for the same period of 1991. Second quarter net income decreased 7.73%, from $3,427,000 for 1991 to $3,162,000 for 1992. For comparison purposes, it should be noted that second quarter results for 1991 were positively affected by approximately $730,000 in interest income before taxes received in connection with a recovery on a previously charged-off commercial loan.

Year to date net interest income for 1992 of $21,918,000 represents an increase of 2.87% over the first six months of 1991 of $21,306,000. During the first six months of 1992, the prime rate was steady with an average prime of 6.50%. The prime rate for the first six months of 1991 was declining with an average prime of 8.93%. The improvement in net interest income is primarily due to lower interest expense which is the result of overall lower interest rates and the shift by customers out of maturing certificates of deposit into lower yielding savings and NOW accounts. Net interest margin was 4.67% for the first six months ended June 30, 1992 compared to 4.74% for the same period in 1991, which includes the effect of the $730,000 interest received on a charged-off commercial loan in 1991.

Other income increased $322,000 or 7.98% from $4,034,000 for the first six months in 1991 to $4,356,000 for the comparable period in 1992. Contributing to this increase were higher service charges on deposit accounts and letter of credit fees. Other operating expenses have increased $474,000 or 9.61% for the first six months of 1992 compared to the same period in 1991. The increase is attributable primarily to higher FDIC insurance premiums and to expanded media advertising expenditures. Non-interest expenses are constantly being monitored to achieve overall cost savings.

Average loans for the first six months of 1992 increased $29,829,000 or 4.15% to $748,387,000 compared to the first six months in 1991. The effort to develop new loan business shows encouraging results but borrowings by existing customers continue to be below historic utilization levels as a result of the prolonged economic slowdown.

The overall quality of our loan portfolio continues to be sound. Non-performing assets at June

30, 1992 totaled $4,447,000 or 0.58% of total loans compared to $5,254,000 or 0.74% a year ago. Net loan charge-offs for the first six months of 1992 were $1,136,000 or 0.15% of total average loans compared to $776,000 or 0.11% for the comparable period in 1991. These ratios are well below those of our peers. At June 30, 1992 the allowance for loan losses was 1.39% of total loans compared to 1.49% at June 30, 1991. The provision for loan losses was increased during the second quarter of 1992 in response to our ongoing review of the loan portfolio and to a continued sluggish general and regional economy.

Average assets for the first six months of 1992 increased $31,880,000 or 3.02% to $1,086,042,000 compared to the first six months of 1991. Return on average assets annualized as of June 30, 1992 was 1.15% versus 1.17% for the comparable period of 1991 while the annualized return on average equity was 11.64% compared to 12.51% for the same periods. Average equity to average assets increased from 9.36% for the first six months of 1991 to 9.87% for the first six months of 1992.

Consistent with the Company's established objective of maintaining strong capital levels, Tier I and total risk-based capital ratios at June 30, 1992 were 13.19% and 14.48%, respectively, with a leverage ratio of 9.62%. These strong capital ratios are not only far in excess of minimum regulatory guidelines but also exceed the recently announced FDIC criteria for "well capitalized" banks of 6.00% Tier I and 10.00% total risk-based capital, and leverage ratio of 5.00%.

Director Edwin L. Brashears, Jr. did not stand for reelection at the Annual Meeting of Shareholders held on April 20, 1992. We are deeply appreciative of his counsel and significant contributions during his tenure on the Board.

At their April meeting, the Board of Directors approved a 5% increase in the cash dividend rate from 9.5¢ per share to 10.0¢ per share effective with the June payment. At its meeting on July 20, 1992, the Board declared a cash dividend at the higher 10.0¢ per share rate payable September 8, 1992 to shareholders of record at the close of business on August 14, 1992.

W. C. Mitchell

William C. Mitchell
Chairman of the Board

Robert R Yohanan

Robert R. Yohanan
President

LAKE SHORE BANCORP., INC. CONSOLIDATED BALANCE SHEET

(Dollars in thousands)

ASSETS

Cash and Due From Banks
Federal Funds Sold
Investment Securities (Market Value
of $238,358, $234,996 and $222,754)
Loans (Net of Allowance for Loan Losses of
$10,609, $10,490 and $10,570)
Bank Premises and Equipment
Customers' Liability on Acceptances
Other Assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:
Non-Interest Bearing
Interest Bearing

Securities Sold Under Agreement to
Repurchase
Other Borrowed Funds
Acceptances Outstanding
Other Liabilities

Shareholders' Equity:
Common Stock – $.01 Par Value, Authorized
15,000,000 shares; Issued 8,139,063 shares
Retained Earnings
Treasury Stock – at cost, 250,000 shares

June 30, 1992	December 31, 1991	June 30, 1991
$ 74,672	$ 61,768	$ 62,173
33,000	41,000	53,000
227,791	222,973	218,915
754,935	740,711	700,093
16,581	17,497	17,448
8,762	8,352	6,545
17,093	16,831	17,859
$1,132,834	$1,109,132	$1,076,033
$ 161,202	$ 163,326	$ 157,544
784,468	762,345	751,026
945,670	925,671	908,570
41,341	39,664	35,147
11,578	11,147	9,453
8,762	8,352	6,545
15,800	19,348	15,988
1,023,151	1,004,182	975,703
50,075	50,043	49,996
63,358	58,657	54,084
(3,750)	(3,750)	(3,750)
109,683	104,950	100,330
$1,132,834	$1,109,132	$1,076,033

LAKE SHORE BANCORP., INC. CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands except per share data)

INTEREST INCOME

Loans, Including Fees

Interest and Dividends on Investment Securities

Federal Funds Sold

INTEREST EXPENSE

Deposits

Securities Sold Under Agreement to Repurchase and Other

NET INTEREST INCOME

Provision for Loan Losses

NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES

Other Income:

Trust Income

Other Operating Income

Operating Expenses:

Salaries and Employee Benefits

Net Occupancy Expense

Furniture and Equipment Expense

Other Operating Expenses

INCOME BEFORE INCOME TAXES

Provision for Income Taxes

NET INCOME

Net Income per share*

Weighted average number of shares outstanding (000's)

*Based on weighted average number of shares outstanding for the period.

Three Months Ended June 30,		Six Months Ended June 30	
1992	1991	1992	1991
$15,413	$18,541	$30,934	$36,812
4,237	4,192	8,424	8,167
177	439	461	1,158
19,827	23,172	39,819	46,137
8,076	11,302	16,966	23,536
432	590	935	1,295
8,508	11,892	17,901	24,831
11,319	11,280	21,918	21,306
690	620	1,255	1,190
10,629	10,660	20,663	20,116
787	820	1,642	1,628
1,345	1,214	2,714	2,406
2,132	2,034	4,356	4,034
4,268	4,165	8,548	8,248
907	899	1,772	1,805
553	610	1,060	1,197
2,861	2,477	5,405	4,931
8,589	8,151	16,785	16,181
4,172	4,543	8,234	7,969
1,010	1,116	1,995	1,795
$ 3,162	$ 3,427	$ 6,239	$ 6,174
$ 0.40	$ 0.44	$ 0.79	$ 0.78
7,889.1	7,889.1	7,889.1	7,956.7

CORPORATE STRUCTURE

LAKE SHORE BANCORP., INC.

605 North Michigan Avenue
Chicago, Illinois 60611

BOARD OF DIRECTORS

Neal Creighton
President & CEO
Robert R. McCormick Foundations

Paula H. Crown
Vice President
Henry Crown and Company

William J. Devers, Jr.
President
Devers Group, Inc.

Irwin Grossinger
President
Grossinger Motorcorp, Inc.

David B. Heller
President
Advisory Research, Inc.

Douglas H. Keare
Division Chief
World Bank

†**Eugene M. Kinney**
Retired Senior Vice President
Zenith Electronics Corporation

†**Michael B. McCaskey**
President & CEO
Chicago Bears Football Club, Inc.

Andrew J. McKenna
President
Schwarz Paper Company

Thomas M. Mints, Jr.
Retired Chairman of the Board
Sargent-Welch Scientific Co.

William C. Mitchell
Chairman of the Board
Lake Shore Bancorp., Inc.
Lake Shore National Bank

Joseph Regenstein, Jr.
President
Regenstein Foundation

Don H. Reuben
Senior Counsel
Winston & Strawn

†**Edward W. Ross**
President
Jupiter Industries, Inc.

Howard L. Storch
President
Storch & Co., Inc.

Herbert J. Sturz
Vice President & Treasurer
Grossinger Motorcorp, Inc.

Robert R. Yohanan
President
Lake Shore Bancorp., Inc.
Lake Shore National Bank

†Member of the Audit Committee

OFFICERS

William C. Mitchell
Chairman of the Board

Robert R. Yohanan
President

Alma J. Pini
Vice President/Secretary

Thomas D. Roegner
Vice President

Kenneth C. Klinge
Auditor

Sharon S. Peterson
Treasurer

SUBSIDIARIES OF LAKE SHORE BANCORP., INC.

LAKE SHORE NATIONAL BANK

William C. Mitchell
Chairman of the Board

Robert R. Yohanan
President

Home Office
605 North Michigan Avenue
Chicago, Illinois 60611

Hancock Banking Center
875 North Michigan Avenue
Chicago, Illinois 60611

Eugenie Court Banking Center
1660 North LaSalle Street
Chicago, Illinois 60614

Glen Ellyn Banking Center
515 Roosevelt Road
Glen Ellyn, Illinois 60137

Glen Ellyn Banking Center – East
1090 East Roosevelt Road
Glen Ellyn, Illinois 60137

Member FDIC

BANK OF HINSDALE

Jerold K. McCoy
President & Chief Executive Officer

Home Office
400 East Ogden Avenue
Hinsdale, Illinois 60522

Burlington Banking Center
12 East Hinsdale Avenue
Hinsdale, Illinois 60522

Clarendon Hills Banking Center
151 Ann Street
Clarendon Hills, Illinois 60514

Woodridge Banking Center
2800 75th Street
Woodridge, Illinois 60517

Member FDIC

a-0 6993

Q 35290

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FORM 10 Q

K
98·2340

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) of the SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) of the SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ______________

Commission File Number 0-9691

Network Systems Corporation

(Exact name of registrant as specified in its charter)

Delaware	41-1231031
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7600 Boone Avenue North, Minneapolis, Minnesota 55428

(Address of principal executive offices) (Zip Code)

612-424-4888

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__.

30,292,504 shares of common stock
Par value $.02 per share, were outstanding as of
August 7, 1992

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NETWORK SYSTEMS CORPORATION

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Condensed Consolidated Statements of Cash Flows Six months ended June 30, 1992 and 1991 (unaudited) 5

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NETWORK SYSTEMS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	June 30, 1992 (Unaudited)	December 31, 1991 (Note)
Cash and short-term investments	$ 55,456	$ 59,308
Marketable securities	7,441	9,225
Accounts receivable, net	64,134	64,962
Notes receivable from officers	1,626	265
Interest and other receivables	3,474	3,408
Inventories	20,645	25,051
Other current assets	10,733	10,387
Total current assets	163,509	172,606
Property, plant, and equipment,at cost	86,723	78,575
Less accumulated depreciation	47,895	41,493
Net property, plant, and equipment	38,828	37,082
Marketable securities	62,050	52,494
Goodwill and other intangible assets, net of accumulated amortization of $3,589 (1991-$1,960)	50,029	51,658
Notes receivable from officers		1,756
Software development, less accumulated amortization of $9,747 (1991-$7,983)	5,214	5,478
Other assets, net	23,018	21,737
Total other assets	140,311	133,123
	$ 342,648	$ 342,811
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 4,572	$ 7,265
Accrued liabilities	27,036	28,990
Income taxes payable	5,692	6,286
Deferred revenue	2,000	2,000
Current maturities of long-term debt	37	37
Total current liabilities	39,337	44,578
Deferred revenue	2,500	3,500
Long-term debt	2,805	2,822
Deferred compensation	9,077	8,151
Deferred income taxes	2,940	2,940
Other long-term liabilities	6,047	6,677
STOCKHOLDERS' EQUITY		
Common stock	605	603
Additional paid-in capital	116,647	116,496
Retained earnings	158,060	152,578
Cumulative translation adjustment	4,630	4,466
Total stockholders' equity	279,942	274,143
	$ 342,648	$ 342,811

(Note) The balance sheet at December 31, 1991, has been taken from the audited financial statements and condensed.

NETWORK SYSTEMS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per-share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	1992	1991	1992	1991
Revenues:				
Net sales - products	$ 37,332	$ 32,268	$ 70,246	$ 53,328
Services	16,797	13,098	32,594	25,642
Total revenues	54,129	45,366	102,840	78,970
Costs and expenses:				
Cost of sales	14,622	11,957	27,833	19,164
Cost of services	10,924	9,151	21,385	18,429
Marketing, general, and administrative	17,242	14,268	34,139	27,177
Research and development	6,243	4,840	12,190	9,230
Costs of acquistion		3,974		3,974
Amortization of intangibles	815	300	1,629	300
Total costs and expenses	49,846	44,490	97,176	78,274
Income from operations	4,283	876	5,664	696
Interest:				
Income	2,022	3,577	3,874	7,140
Expense	<295>	<350>	<586>	<658>
Net interest income	1,727	3,227	3,288	6,482
Income before income taxes	6,010	4,103	8,952	7,178
Income taxes	2,340	1,370	3,470	2,460
Net income	$ 3,670	$ 2,733	$ 5,482	$ 4,718
Net income per common and common equivalent share	$ .12	$ .09	$ .18	$ .16
Average common and common equivalent shares	30,934	30,200	31,164	30,100

NETWORK SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended June 30,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 5,482	$ 4,718
Adjustments to reconcile net income to cash provided from operating activities:		
Depreciation and amortization	6,300	4,769
Amortization of software development	1,764	1,695
Amortization of intangibles	1,629	300
<Increase> decrease in assets	3,543	<21,347>
Increase <decrease> in liabilities	<6,030>	30,951
Net cash flows provided <absorbed> by operations	12,688	21,086
Cash flows from investing activities:		
Cost of company acquired, net of cash acquired		<53,618>
<Increase> decrease in marketable securities	<6,740>	25,489
Purchases of property, plant, and equipment	<8,701>	<11,677>
Additions to software development	<1,500>	<1,830>
Reduction of notes receivable	395	125
Net cash flows <used in> investing activities	<16,546>	<41,511>
Cash flows from financing activities:		
Proceeds from short-term bank loan		45,000
Proceeds from issuing common stock to employees	2,726	1,064
Repurchase of common stock	<2,573>	
Issuance of stock options at a discount in connection with the acquisition of Vitalink		4,410
Repayment of debt	<18>	<16>
Net cash flows provided by financing activities	135	50,458
Effects of exchange rate changes	<129>	1,876
Increase <decrease> in cash and short-term investments	<3,852>	31,909
Cash and short-term investments at beginning of period	59,308	64,439
Cash and short-term investments at end of period	$ 55,456	$ 96,348

NETWORK SYSTEMS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 1992

(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated balance sheet as of June 30, 1992, the condensed consolidated statements of income for the three- and six-month periods ended June 30, 1992 and 1991, and the condensed consolidated statements of cash flows for the six-month periods then ended have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 1992, and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 1991, annual report to shareholders. The results of operations for the period ended June 30, 1992, are not necessarily indicative of the operating results for the full year.

2. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 1992	December 31, 1991
	(In thousands)	
Raw material	$ 6,789	$ 6,745
Work in process	7,326	11,175
Finished goods	6,530	7,131
	$ 20,645	$ 25,051

3. STOCKHOLDERS' EQUITY (In thousands)

	Common Stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustment	Total
Balances at December 31, 1991	$ 603	$ 116,496	$152,578	$ 4,466	$ 274,143
Issuance of common stock upon exercise of stock options	7	2,432			2,439
Issuance of common stock through employee stock purchase plan		246			246
Nonqualified discount options considered earned compensation		41			41
Repurchase and retirement of common stock	<5>	<2,568>			<2,573>
Change in cumulative translation adjustment				164	164
Net income			5,482		5,482
Balances at June 30, 1992	$ 605	$ 116,647	$158,060	$ 4,630	$ 279,942

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Revenues from net product sales increased 16 and 32 percent for the three-month and six-month periods ended June 30, 1992, when compared with the same periods in 1991. Revenue from services increased 28 and 27 percent in the three-month and six-month periods, resulting in an overall increase in total revenues of 19 and 30 percent, respectively. When compared with the same periods for 1990, revenues from product sales had increased 12 percent for the three-month period ended June 30, 1991 and remained relatively unchanged for the six-month period ended June 30, 1991. Revenues from services had increased 13 percent in both periods, and total revenues had increased 12 and 4 percent, respectively. When comparing 1992 with 1991 the Company's acquisition of Vitalink Communications Corporation ("Vitalink") in June, 1991 should be considered. The Company's 1992 consolidated financial statements include Vitalink's operating results for the entire three- and six-month periods as opposed to the Company's 1991 consolidated financial statements when Vitalink's operating results are included for the month of June only.

In 1992 Vitalink contributed product revenues of $7,927,000 for three months and $14,484,000 for the six months. Vitalink product revenues contributed $4,480,000 for the 1991 three- and six-month periods. Service revenues contributed by Vitalink are $2,268,000 for three months and $4,766,000 for six months 1992 compared with $592,000 for the three- and six-month periods of 1991.

Hardware sales increased 32 percent in the second quarter and 47 percent for the first six months of 1992 when compared with the same 1991 periods. Hardware sales accounted for 59 and 57 percent of total revenues for the 1992 three- and six-month periods. This compares with 53 and 51 percent for the same periods in 1991. Licensing of software, the sale of monthly contracts for software license fees, $500,000 in March 1992 and $2,000,000 in June 1991, and other income provided the balance of net product sales. This balance of net product sales contributed 10 and 11 percent of total revenues in the 1992 three- and six-month periods versus 18 and 17 percent for the same periods in 1991. Service revenues from maintenance contracts on the Company's installed equipment provided 31 and 32 percent of total revenues for the three- and six-month periods of 1992 compared with 29 and 32 percent for 1991.

Vitalink's revenues have principally come from sales of products called remote bridges, which are used to interconnect geographically dispersed local area networks. Vitalink has installed more than 20,000 of these bridges in over 1800 customer sites. The Company expects that sales of these products will add to the Company's revenues in 1992 and 1993, but will ultimately be replaced by the Company's new line of bridge/routers, which provide more performance and functionality. Vitalink's installed base will also contribute to the Company's service revenues.

Quarterly revenues and operating results depend on the volume and timing of customer orders received during the quarter, which are difficult to forecast; therefore, the Company may experience fluctuations in quarterly results. The Company believes its ability to increase revenues will depend on the success of its internetworking products, the continued growth of HYPERchannel-DX sales, and on its ability to manufacture the proper configurations for shipments when required. The Company's operating results may also be adversely affected by general economic conditions such as a recessionary period affecting the computer sector of the economy.

A breakdown between domestic and international revenues shows that domestic revenues provided an increasing share of the total. For the three- and six-month periods of 1992, domestic revenues provided 60 and 59 percent of total revenues compared to 59 and 55 percent for same periods of 1991. International revenues were 40 and 41 percent for the 1992 periods and 41 and 45 percent for the respective 1991 periods. The increase in domestic revenues is a result of the addition of Vitalink's revenues, which were largely domestic. Without Vitalink's revenues, the relationship of domestic and international revenues between 1992 and 1991 is not significantly different.

The ratio of product costs as a percentage of product sales increased by 2 and 4 percent for the three- and six-month periods of 1992 when compared with the same periods of 1991. For 1991, this ratio had increased by 4 and 3 percent for the three- and six-month periods of 1991 when compared with the same periods of 1990. The trend of increasing product costs since 1990 reflects higher initial product costs for the introduction of more new products than for any previous period in the Company's history. In addition, the Company has been in the process of changing its manufacturing processes to improve product quality and to reduce the level of inventory required to fill orders received near the end of a quarter. The Company believes that increases in new product volume, generally lower material costs, and completion of manufacturing process changes will result in lower product costs beginning later in 1992.

The ratio of the cost of services as a percentage of service revenues decreased by 5 percent in the second quarter and 6 percent for the first six months of 1992. A comparison of the 1991 cost of services ratio with the same periods in 1990 shows a decrease of 1 percent in the second quarter and an increase of 2 percent for the six months. For the remainder of 1992, the Company expects some pressure on service revenue growth, which would result in an increase in the cost of services as a percentage of service revenues. Additional service revenues as a result of the Vitalink acquisition could partially offset the slower revenue growth.

Marketing, general, and administrative expenses are 32 and 33 percent of total revenues for the three- and six-month periods in 1992. This compares with 31 and 34 percent for 1991 and 33 and 34 percent for 1990. In addition, costs associated with the acquisition of Vitalink differ in 1992 from 1991. The Company incurred a charge for amortization of intangibles of $815,000 for the three months and $1,629,000 for the six months of 1992. For 1991, in addition to $300,000 charged for one month's amortization of intangibles, the Company also incurred a one-time charge of $3,974,000 for costs associated with the June 1991 acquisition. Amortization of intangibles are 2 percent of total revenues for both the three- and six-month periods of 1992. Amortization of intangibles along with the one-time charge for acquisition costs are 9 and 5 percent of total revenues for the respective three- and six-month periods of 1991. Amortization of intangibles will continue at reduced amounts over the 2 to 20 year lives assigned to intangible assets. For 1992, the amortization of intangibles will be approximately $3,300,000.

Research and development costs accounted for 12 percent of total revenues for both the three- and six-month periods of 1992, compared with 11 and 12 percent of total revenues for the respective periods of 1991. The Company anticipates it will be required to continue making significant investments in product developments to keep pace with technological advancements in the networking field. Total research and development expenditures for the year 1992 are expected to be greater than for the year 1991.

Net interest income, including capital gains, was $1,727,000 and $3,288,000 in this year's second quarter and six months. This compares with $3,227,000 and $6,482,000 in the respective 1991 periods. The most significant factor affecting the reduction in interest income is the over $50 million reduction of average invested cash balances since the June 1991 acquisition of Vitalink. In addition to the reduction of the average invested cash balances, the Company's interest returns are reflecting the trend of lower interest rates.

The Company's income taxes were provided at effective income tax rates of 38.9 and 38.8 percent for the three- and six-month periods of 1992. This compares with effective income tax rates of 33.4 percent for the three months and 34.4 percent for the six months of 1991. The most significant factor that increased the Company's estimate of its 1992 effective tax rate over its 1991 effective tax rate is the additional non-deductible goodwill amortization. The Company reviews the effective income tax rate quarterly and could make minor adjustments to reflect changing estimates.

In May 1991, the Company paid approximately $11,000,000 to the Internal Revenue Service ("IRS") for the assessment of an accumulated earnings tax imposed on the Company by the IRS for the tax years 1983 through 1985. The Company took this action to preserve its option to contest the issue in Federal District Court. The Company and its special tax counsel believe that the IRS position is substantially without merit. Accordingly, the Company has made no provision with respect to this matter, and the amount paid is considered a long-term deposit that will bear interest at the IRS refund rate.

Liquidity and Capital Resources

Cash and short-term investments and marketable securities increased $3.9 million during the six months ended June 30, 1992, to a level of $124.9 million. Operating activities contributed $13.6 million; financing activities, largely the sale of stock to employees, were substantially offset by the repurchase and retirement of $2.6 million of the Company's stock, resulting in a net contribution of $.1 million; net investing activities used approximately $9.8 million for the addition of equipment and for capitalized software development expenditures, while repayment of officer notes receivable provided cash.

The Company believes its cash and relatively liquid investments totaling $124.9 million at June 30, 1992, $5.0 million of local currency lines of credit available to its foreign subsidiaries, and cash flows anticipated from operations, with only a minor amount of long-term debt, provide the capital resources required by its operations for 1992. The Company believes that this liquidity, together with cash flows from operations, will meet its 1992 operating requirements, fund an additional payment of potential tax assessments, and position the Company to use its funds for investments in a business opportunity should it become available in 1992.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Date of meeting -- May 13, 1992
-- Annual Stockholders' Meeting

(b) Not applicable.

(c) Matters voted upon.

To elect three Directors for
a term of three years.

(d) Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

None.

(b) Reports.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NETWORK SYSTEMS CORPORATION

/s/Richard A. Fisher
(Registrant)

Date: August 7, 1992

Richard A. Fisher, Vice
President and Treasurer
(Authorized Officer and
Principal Financial Officer)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 2-50895

Microfilmed
By
Q-Data
Corporation
St. Petersburg, FL

PACIFICORP FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

STATE OF OREGON	93-0369681
(State or other jurisdiction of incorporation or organization)	(IRS employer Identification Number)

111 S.W. Fifth Avenue
Suite 2800
Portland, Oregon
(Address of principal executive offices)

97204
(Zip Code)

Registrant's telephone number, including area code: (503) 222-7920

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO __

At August 11, 1992, there were 179,005 shares of the registrant's $10 par value common stock outstanding.

Registrant meets the conditions set forth in General Instruction H (1) (a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

PACIFICORP FINANCIAL SERVICES, INC.
AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

PACIFICORP FINANCIAL SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In Thousands of Dollars)

	June 30, 1992	December 31, 1991
ASSETS	(Unaudited)	
Cash and cash equivalents	$ 106,015	$ 34,172
Investment in financing assets:		
Net investment in finance receivables	541,553	570,902
Less allowance for credit losses (Notes 2 and 6)	45,578	15,029
	495,975	555,873
Net investment in leveraged leases	357,587	350,829
Less allowance for credit losses (Notes 2 and 6)	9,600	--
	347,987	350,829
Net investment in equipment under operating leases	229,513	288,823
Net investment in other financing assets	5,950	30,214
Net investment in financing assets	1,079,425	1,225,739
Real estate properties, net	222,955	235,812
Investments in and advances to affiliates	3,252	3,084
Accrued interest and other receivables	26,578	31,132
Off lease equipment held for sale or lease (Notes 2 and 5)	92,950	102,604
Intangible assets (Note 2)	--	38,242
Other assets (Note 2)	43,757	47,759
	$1,574,932	$1,718,544
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Short-term notes payable	$ 438,012	$ 439,664
Income taxes payable and other liabilities (Note 3)	357,427	394,096
Payable to parent (Note 4)	46,861	30,336
Long-term debt	542,719	574,279
Total liabilities	1,385,019	1,438,375
COMMON STOCKHOLDER'S EQUITY (Notes 2 and 4)	189,913	280,169
	$1,574,932	$1,718,544

See notes to condensed consolidated financial statements.

PACIFICORP FINANCIAL SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(In Thousands of Dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Net financing revenues (Note 2)	$ 33,737	$ 32,377	$ 50,991	$67,247
Net real estate revenue	7,062	4,920	13,792	8,833
Net manufacturing revenue	8,230	7,921	12,996	11,948
	49,029	45,218	77,779	88,028
Interest and debt expense	20,124	22,778	39,360	46,558
	28,905	22,440	38,419	41,470
Other operating expenses:				
Salaries and related expenses	5,380	5,484	10,498	11,761
Other general and administrative (Note 3)	5,910	4,804	32,794	10,732
Valuation charges (Note 2)	—	—	49,055	—
Provision for credit losses (Note 2)	8,858	6,088	58,146	7,454
Real estate development and property rental expense (Note 2)	5,141	2,511	22,987	4,563
Manufacturing expenses	7,915	6,866	15,276	12,440
Total expenses	33,204	25,753	188,756	46,950
Loss from affiliated partnerships	—	(182)	—	(306)
Minority interest	193	—	595	—
Loss before income taxes	(4,106)	(3,495)	(149,742)	(5,786)
Income tax benefit	(5,389)	(4,034)	(49,486)	(8,844)
Net income (loss)	1,283	539	(100,256)	3,058
Preferred stock dividends	—	478	—	1,045
Income (loss) available to common stockholder	$ 1,283	$ 61	$(100,256)	$ 2,013

See notes to condensed consolidated financial statements.

PACIFICORP FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)
(Unaudited)

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
Cash Flows From Operating Activities:		
Net income (loss)	($100,256)	$ 3,058
Adjustments for items not affecting cash:		
Depreciation	61,761	53,313
Amortization of goodwill and intangibles	745	1,260
Provision for credit losses	58,146	7,454
Provision for deferred income taxes	(30,719)	4,869
Minority interest	(595)	--
Valuation charges	49,055	--
Other	9,844	4,819
	47,981	74,773
Cash Flows From Investing Activities:		
Finance receivables:		
Finance receivables funded	(43,349)	(151,886)
Proceeds/payments	90,400	185,261
Equipment under operating leases:		
Purchase of assets	(16,289)	(28,166)
Proceeds from sale of assets	12,787	5,479
Leveraged leases:		
Proceeds from sale of assets	--	25,841
Payments received representing principal	3,698	2,839
Other	405	(268)
Real estate:		
Purchase of assets	(4,394)	(21,755)
Proceeds from sale of assets	--	10,327
Other	43	(127)
Other investments sold	--	2,809
Investments in and advances to affiliates	(329)	(5,196)
	42,972	23,558
Cash Flows From Financing Activities:		
Net decrease in short-term debt	(1,652)	(20,833)
Net increase in payable to parent	25,664	--
Long-term debt:		
Issued	2,000	46,250
Repaid	(55,221)	(62,215)
Non-recourse debt:		
Issued	66,966	38,755
Repaid	(46,007)	(43,869)
Leveraged lease non-recourse debt:		
Repaid	(10,860)	(31,895)
Stockholder's equity:		
Dividends paid on common stock	--	(3,621)
Dividends paid on preferred stock	--	(1,065)
Return of capital	--	(6,100)
	(19,110)	(81,773)
Increase in Cash and Cash Equivalents	71,843	16,558
Cash and Cash Equivalents Beginning of Year	34,172	25,173
Cash and Cash Equivalents End of Quarter	$106,015	$ 41,731

See notes to condensed consolidated financial statements.

(continued)

PACIFICORP FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)
(continued)
(Unaudited)

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
Supplemental disclosures of cash flow information		
Cash (paid) received during the period for:		
Interest expense	$(76,593)	$(72,720)
Tax benefits received	14,663	20,389
Significant non-cash financing activities		
Conversion of junior subordinated note held by parent to equity	10,000	--
Exchanged of short-term note payable to parent for long-term note	46,000	--

See notes to condensed consolidated financial statements.

PACIFICORP FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)
(Unaudited)

1. Basis of financial statements

The information presented in the condensed consolidated financial statements is unaudited, but includes all adjustments, consisting of only normal recurring accruals (except as described in Notes 2, 3, and 4), which management of the Company considers necessary for a fair presentation of the results of such periods. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Reclassifications from prior years for certain amounts have been made to conform with the current year method of presentation. These consolidated financial statements should be read in conjunction with the financial statements and related notes included in the Company's 1991 annual report on Form 10-K.

2. Valuation charges

The Company and its parent, PacifiCorp Holdings, Inc. ("Holdings") previously known as Inner PacifiCorp, Inc., have been experiencing restricted access to the commercial paper and medium-term note markets. In order to improve this situation, the Company and Holdings underwent an extensive review of their financial plans during the first quarter of 1992. The purpose of the review was to develop a financial plan for each company with the goal of improving the credit ratings for both companies, which are currently BBB-/Baa3. Concurrently, PacifiCorp, Holdings' parent, announced that a part of its strategic direction is management's intent to reduce the Company's assets to no more than ten percent (10%) of PacifiCorp's consolidated total assets, which were $13.1 billion at June 30, 1992. The Company has designed its plan (the "Plan") consistent with PacifiCorp's strategic direction and the Company's desire to improve financial results and generate cash through accelerated disinvestment of both underperforming and non-performing assets. The Plan anticipates generating cash and reducing recourse debt by selling certain of these assets, and continuing with plans to limit the size of the computer leasing portfolio and expand the Company's nonrecourse financing sources. The Plan represents a change in the Company's intent with respect to the timing of the realization of certain asset values, given that the disposition process is being accelerated into the current unsettled market for certain financial services investments.

The Company has estimated the effect of implementing the Plan on its asset valuations, and has recorded various adjustments to decrease the affected asset values to net realizable value given their disinvestment in the current unsettled markets. The various charges related to the Plan are included in the Company's six months ended June 30, 1992 condensed consolidated statement of operations as follows:

Charge to net financing revenue	$10,000
Provision for credit losses	48,400
Real estate development and property rental expense	13,000
Valuation charges	49,055
Income tax benefit	(31,368)
After-tax total	$89,087

As a result of the Plan, the Company may be generating fewer opportunities to release or remarket computer equipment as it comes off lease. Thus, the charge to net financing revenue represents a $10,000 reduction of its investment in computer operating leases. The additional provision for credit losses reflects management's assessment of the estimated reduction in net realizable value from direct financing residuals, troubled loan accounts, and the underlying credit quality of leveraged lease accounts, as a result of implementing the Plan and accelerating liquidation or resolution of these accounts. The charge to property development expense is similarly related to a reduction in net realizable value of the Portland, Oregon properties held by the Company's wholly-owned subsidiary Pacific Development, Inc. ("PDI"), given management's intent to accelerate the disposal of these assets. Valuation charges consist of (i) $37,455 related to goodwill and other intangible assets (primarily associated with the Company's Computer Leasing Unit), (ii) $8,600 related to off lease aircraft held for sale, and (iii) $3,000 related to other assets which the Company anticipates it will sell on an accelerated basis as part of the Plan.

3. Contingent liability charge and settlements

During 1991, International Business Machines, Inc. ("IBM") initiated litigation against a major competitor of the Company's Computer Leasing Unit that involved allegations by IBM that certain practices involving mainframe memory constitute unfair business practices. In addition, IBM filed a separate lawsuit against the competitor related to certain leasing practices. The Company's competitor continues to vigorously contest the IBM claims. During the first part of 1992, the Company engaged in discussions with IBM regarding certain of these practices as they relate to the Company. In the first quarter of 1992, the Company accrued an estimated cost of resolving the matter with IBM, including the cost of replacing certain units of memory. During the second quarter of 1992, the Company resolved the matter at a cost within the parameters of the first quarter accrual.

In January 1990, the Company sold the capital stock of a subsidiary that had been acquired as the result of a collateral repossession. The purchase price was subject to certain adjustments related to working capital as measured at the closing date. The Company and the buyer reached an agreement as to these adjustments in April 1992 with approximately $1,300 being paid by the Company in May, 1992 related to such adjustments.

4. Transactions with Holdings

On March 31, 1992, Holdings contributed the Company's previously outstanding $10,000 10.42% Junior Subordinated Medium-Term Note, due January 4, 1994, to the Company. This contribution reduced the Company's long-term debt and increased stockholder's equity by $10,000.

Also on March 31, 1992 the Company exchanged its $46,000 short-term obligation to Holdings for a $46,000 note due March 31, 1994. The note bears interest at a floating rate equal to Holdings' average daily cost of funds plus 3/8% per annum.

5. Off lease equipment held for sale or lease

Off lease equipment held for sale was as follows:

	June 30, 1992	December 31, 1991
Computer equipment:		
Inventory	$ 19,524	$ 24,660
Lease-in-process	14,853	8,156
Aircraft	57,671	68,528
Other	902	1,260
	$ 92,950	$102,604

Lease-in-process represents equipment that is being assembled or packaged for a pending lease contract.

6. Allowance for Credit Losses

Balance at beginning of year	$15,029
Provision charged to expense	58,146
Less losses charged off, net of recoveries	(17,997)
Balance at end of period	$55,178

7. Income taxes

Income taxes are not provided on a separate entity basis. The Company files its tax return on a consolidated basis with its parent, Holdings. The Company has an arrangement with Holdings pursuant to which the Company is compensated for certain tax benefits generated, regardless of when Holdings can utilize these benefits, provided that the Company manages its generation of such tax benefits within guidelines established by Holdings. Many of the transactions the Company enters into would not be as advantageous if contemporaneous compensation for tax benefits generated were not made to the Company. Compensation earned from Holdings for tax benefits is treated as a reduction to the Company's current income tax provision.

The Company has been under examination by the Internal Revenue Service (the "IRS") for the years 1985 and 1986. In November 1990, the IRS issued a revenue agent's report in which it proposed adjustments that could substantially increase the tax for these years. The Company has filed a protest on the significant proposed adjustments. The final resolution of these adjustments cannot presently be determined but, in the opinion of management, resolution of these adjustments will not have a material effect on the Company's consolidated financial position or results of operations.

8. Contingencies

In December 1986, the Company, through one of its subsidiaries, invested as an equity participant in the sale and leaseback of Springerville Unit No. 1, a coal-fired steam electric generating facility in Springerville, Arizona ("Plant"), with Century Power Corporation ("Century") as the seller/lessee. The Company owns an approximate 10 percent undivided interest in the Plant, the balance being owned by other equity participants.

Tucson Electric Power Company ("Tucson") purchases the output of the Plant pursuant to a 28-year power sales contract signed in 1986 with Century (the "Power Sales Contract"). These payments are used by Century to meet its lease obligations to the equity group. Through 1989, a portion of the output of the Plant was sold to San Diego Gas and Electric Company ("SDG&E"). In February 1989, SDG&E and the Arizona Corporation Commission (the "ACC") filed separate complaints (the "FERC Proceeding") with the Federal Energy Regulatory Commission (the "FERC") in which they asserted, among other things, that the demand charges pursuant to the Power Sales Contract were unjust and unreasonable. The ACC complains that the inclusion of the lease payments in the rate formula results in excessive rates for service from the Plant as the charges are determined by reference to the amount for which the Plant was sold by Century in its sale and leaseback arrangement, which was in excess of its depreciated book value. SDG&E asked the FERC to reduce Century's rates by amortizing against rates the gain from the sale of the Plant. Tucson is precluded from challenging Century in the FERC Proceeding under the terms of the Power Sales Contract. However, Century has stated to the FERC that the entry of an order granting the requested relief would have very serious consequences, which might result in Century's bankruptcy.

Tucson has continued to suffer extreme financial distress. In order to facilitate the financial restructuring of Tucson outside of bankruptcy court, a payment moratorium was imposed by Tucson on all debt, facility leases and capacity charges. In July 1991, three lessors of facilities to Tucson filed involuntary bankruptcy petitions against Tucson to protect them from action threatened by the project's nonrecourse lenders. Immediately thereafter, three of the equity participants in the Springerville project, not including the Company, filed similar petitions against Century. Tucson was granted significant rate relief by the ACC but, in order to be effective, the involuntary petitions were required to be dismissed by December 31, 1991. This requirement for dismissal of involuntary petitions was achieved, allowing Tucson to implement rate relief as granted by the ACC.

While agreements are subject to definitive documentation, Tucson reached agreements with its various creditors, including the equity participants, within the required time frame. The specific agreement in principle reached by Tucson with the equity participants requires that (i) Tucson assume the Springerville lease at substantially reduced rents, which escalate over time, (ii) Tucson be released from certain indemnities given Century and the equity participants, and (iii) Tucson issue, at no cost to the equity participants, common stock representing 10% of Tucson's total outstanding shares to the equity participants, plus warrants with an initial exercise price of $4.00/share representing an additional 7.5% interest in Tucson.

As conditions precedent to obtaining a definitive agreement, the ACC must (i) approve the settlement, (ii) approve the restructured lease, and (iii) terminate the FERC Proceeding against Century.

The Company accounts for its investment as a leveraged lease. At June 30, 1992, the Company's investment, net of deferred taxes, was approximately zero. As a result, under leveraged lease accounting, no earnings were expected or recognized in the current period. Should the above agreement not become effective and the Company sustain a total loss by abandoning its investment, the Company could experience an after-tax loss of up to $17.6 million.

While the Company believes that this agreement will ultimately become effective, it remains subject to the conditions cited above. However, given the terms of the proposed agreement, the Company does not expect to realize a material loss associated with this transaction.

9. Subsequent Event

On July 1, 1992, the Company resolved its remaining contingent obligation with respect to certain put provisions contained in three partnership agreements that were part of the original acquisition documentation in 1987. For cash consideration of $25,664, the Company increased its ownership interest to 100% from 51.01% in the Lloyd Center Tower Partnership, Ltd., Lloyd Building Partnership, Ltd., and Lloyd Five Hundred Building Partnership, Ltd.

Item 2.

PACIFICORP FINANCIAL SERVICES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands of Dollars)

Registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of form 10-Q and is therefore filing this form with the reduced disclosure format.

SIX MONTHS ENDED JUNE 30, 1992 COMPARED TO 1991

For the six months ended June 30, 1992, net loss was $100,256, as compared to net income of $3,058 earned in the same period in 1991. This decrease is primarily attributable to charges resulting from implementation of the Plan, as stated in the Notes to Condensed Consolidated Financial Statements, and under the caption "Liquidity and Capital Resources".

Selected Financial Data
For the Six Months
Ended June 30,

	1992	1991	Increase (Decrease)	%
Average net investment in finance receivables	$ 567,531	$ 719,959	$ (152,428)	(21)%
Less average allowance for credit losses	(39,663)	(22,956)	(16,707)	73
	527,868	697,003	(169,135)	(24)
Average investment in leveraged leases	348,377	311,682	36,695	12
Average deferred taxes on leveraged leases	(272,081)	(247,721)	(24,360)	10
Average net investment in leveraged leases (1)	76,296	63,961	12,335	19
Average net investment in equipment under operating leases	256,172	334,919	(78,747)	(24)
Average other finance assets	10,038	41,881	(31,843)	(76)
Average net investment in finance assets	$ 870,374	$ 1,137,764	$ (267,390)	(24)%
Net financing revenues	$ 50,991	$ 67,247	$ (16,256)	(24)%
Average non-accrual financing assets (1)	$ 79,112	$ 117,607	$ (38,495)	(33)%
As a % of average total assets	4.99%	6.86%		
End of period non-accrual financing assets (1)	$ 55,002	$ 98,662	$ (43,660)	(44)%
As a % of quarter-end total assets	3.49%	5.74%		

(1) Leveraged leases are shown net of applicable deferred taxes since this is the basis on which revenues are recognized under leveraged lease accounting rules.

Net financing revenues decreased $16,256 or 24% from the first half of 1991. This decrease includes the effect of a $10,000 reduction of computer lease residuals, representing management's view that the implementation of the Plan may reduce opportunities of the Company to release or remarket computer equipment as it comes off lease (see Note 2 to the Company's condensed consolidated financial statements), partially offset by gains on certain nonrecurring sales of equipment ($3,582) by the Company's Computer Leasing Unit. Additional decreases were experienced as a result of the continued decline in average finance assets, which declined 20% prior to the effects of implementation of the Plan.

Partially negating these decreases are the recognition of $3,006 in deferred interest on a loan restored to accrual status, as well as other reductions in interest foregone as a result of a 33% decrease in average nonaccrual finance assets. Due to the decline in nonaccrual finance assets, interest income foregone that would have been recorded under contractual terms was $4,338 for the current six months as compared to $8,371 for the same period in 1991. At June 30, 1992, non-accrual finance assets were $55,002 or approximately 3% of total assets, down from $78,688 and 5% at December 31, 1991. The decrease in nonaccrual accounts is primarily the result of restoring to accrual status a loan to a wood products company mentioned above, and the write off of $16,500 in loans to a builder of residential homes located predominantly in the northeastern United States.

During the first half of 1992, the net investment in finance assets decreased $146,314 (12%) from $1,225,739 at December 31, 1991 to $1,079,425 at June 30, 1992. This decrease was primarily due to the various charges associated with the Plan and the runoff of existing portfolios in the ordinary course of business.

Net real estate revenues increased $5 million or 56% from the first half of 1991 primarily due to the Company obtaining a majority ownership interest in certain real estate partnerships necessitating 100% consolidation of revenues beginning in July, 1991. The Company was contingently obligated to purchase the other partners shares as a result of certain put provisions contained in four limited partnership agreements. On July 1, 1992, the Company resolved its remaining preexisting contingent obligations with respect to these limited partnership agreements by purchasing the other partners' share of three limited partnerships for $25,664.

The Company's manufacturing subsidiary, Vermont Castings, Inc. ("VCI"), is the recognized domestic market leader in the production of wood burning stoves and also produces gas and pellet stoves and accessories. Net manufacturing revenue increased $1,048 or 9% from the first half of 1991. This increase resulted from a combination of increased sales of accessories as a result of the Wonderfire acquisition in the fourth quarter of 1991, a price increase effective the second quarter of 1991, and a shift in sales mix to the higher priced finished products. This increase was partially offset by reduced shipments of stove units as compared to the prior year. Historically, VCI's business is seasonal, with the majority of revenues occurring during the last half of the calendar year.

Interest and debt expense was $39,360 for the first half of 1992 compared to $46,558 in the first half of 1991, a 15% decrease. Of the $7,198 reduction in interest expense, $9,000 (85%) was due to lower average interest rates (7.38% in 1992 compared to 9.06% in 1991), and $3,000 (37%) was due to lower levels of net assets financed. These beneficial changes were offset by the $2,000 (22%) effect of higher average leverage and $2,743 from the termination of an interest rate hedge arrangement, the cost of which is expected to be offset in future periods through lower borrowing rates.

Salaries and related expenses decreased $1,263 or 11% from the first half of 1991. The Company's average nonmanufacturing employee base declined from 378 for the first half of 1991 to 295 in 1992, a reduction of 22% as a result of the staff reductions that were implemented in the third quarter of 1991. The savings from these reductions were partially offset by a pension adjustment, based upon updated actuarial data, of $826 in 1991.

Other general and administrative expenses increased $22,062 from the first half of 1991. This increase is primarily due to the accrual of an equipment restoration reserve in the Company's Computer Leasing Unit. During 1991, International Business Machines, Inc. ("IBM") initiated litigation against a major competitor of the Company's Computer Leasing Unit that involved allegations by IBM that certain practices involving mainframe memory constitute unfair business practices and a separate lawsuit related to certain leasing practices. The Company's competitor continues to vigorously contest the IBM claims. During the first part of 1992, the Company engaged in discussions with IBM regarding certain of these practices as they relate to the Company. In the first quarter of 1992, the Company accrued an estimated cost of resolving the matter with IBM, including the cost of replacing certain units of memory. During the second quarter of 1992, the Company resolved the matter at a cost within the parameters of the first quarter accrual. Other nonrecurring general and administrative charges include approximately $1,300 which was paid upon resolution of certain purchase price adjustments related to the sale of the common stock of a subsidiary of the Company, originally acquired as the result of a collateral repossession in 1989, and $1,072 of costs were accrued in anticipation of the Company relocating its principal executive offices into one of its own buildings.

Valuation charges of $49,055 were recorded in the first half of 1992 as a result of the Plan. These valuation charges consist of (i) $37,455 related to the write off of goodwill and other intangible assets, primarily associated with the Company's Computer Leasing Unit whose level of operations will be decreased prospectively, (ii) $8,600 related to off lease aircraft held for sale in the current unsettled aviation marketplace, and (iii) $3,000 related to other assets which the Company anticipates it will dispose of on an accelerated basis under the Plan.

The provision for credit losses has increased $50,692 from $7,454 for the first half of 1991. This increase reflects management's assessment of (i) the implementation of the Plan on the net realizable value of finance receivables given the current market, and (ii) its increasing concern regarding the underlying credit quality of certain of its aviation customers, given the continuing weak industry conditions and management's continuing assessment of the collectibility of other finance receivables. A corresponding increase is reflected in the allowance for credit losses, offset by the write off of $16,500 in loans to a builder of residential homes previously mentioned.

Real estate development and property rental expense increased $18,424. This increase includes a provision of $13,000 for the effect of the Plan, which includes a significant disinvestment of the Company's Portland, Oregon real estate properties in the current illiquid real estate climate. The remaining increase is a result of the Company's acquisition of the other partners' share of certain real estate partnerships in July 1991, as mentioned above, necessitating consolidation of 100% of the real estate development and property rental expenses of the acquired partnerships.

Manufacturing expenses have increased $2,836 or 23%. This increase is due to a combination of (i) the acquisition of Wonderfire and the inclusion of its operating expenses, and (ii) increased costs as VCI continues to develop the manufacturing process for its new gas and pellet products.

Income tax benefit increased $40,642 as a result of the higher pre-tax loss.

The Company paid dividends of $1,045 on its $40 million of outstanding variable rate preferred stock in the first half of 1991. This issue was redeemed in the third quarter of 1991.

LIQUIDITY AND CAPITAL RESOURCES

Following the significant acquisition of natural gas-producing properties by NERCO in 1991, subsequent weakening in late 1991 and early 1992 of gas prices, and continuing turmoil in the financial services markets, two of the Company's three rating agencies, Moody's Investor Service and Standard & Poor's, downgraded the short-term and long-term debt of NERCO, Holdings and the Company in March of 1992. Similarly, a downgrade was made by both rating agencies of the Company's subordinated debt. At June 30, 1992, the senior short-term and long-term debt of the Company was rated P3 and Baa3, respectively, by Moody's and A-3 and BBB-, respectively, by S&P.

As a result of these downgrades, the Company and Holdings have been experiencing restricted access to the commercial paper and medium-term note markets. These markets have historically been the Company's primary source of funding. In order to improve this situation, the Company and Holdings have undergone an extensive review of their financial plans, the purpose of which was to develop a financial plan for each company with the goal of restoring acceptable credit ratings for both companies (see Note 2 to the financial statements). Since the initial announcement of the plan, the Company has generated approximately $75 million of cash through a combination of operations, asset dispositions and nonrecourse financing, such that at June 30, 1992 the Company had a cash balance of $106 million. Based on the results achieved to date, the Company is confident that with the continuing implementation of the plan it will have adequate resources available to meet its current and continuing obligations as they become due.

The total debt-to-equity ratio for the Company at June 30, 1992 was 5.41:1, up from 3.73:1 at December 31, 1991. The recourse debt-to-equity ratio increased to 4.32:1 at June 30, 1992 as compared to 3.07:1 at December 31, 1991, primarily due to the effect of reducing equity balances through the implementation of the Plan.

Management limits the Company's exposure to interest rate fluctuations by match-funding a large portion of its fixed-rate assets with a combination of fixed rate, coterminous liabilities, interest rate swaps and derivative products. The amount of fixed-rate assets not matched by fixed-rate obligations is referred to as the "GAP". It is one of management's objectives to maintain the GAP within +/- 15% of its total assets. This objective was substantially met during the first half of 1992.

The Company has an intercompany loan agreement with Holdings, and during the first half of 1992 has borrowed thereunder. On March 31, 1992, Holdings exchanged the then outstanding $46 million short-term obligation under that agreement for a long-term note of the Company, due March 31, 1994. In addition, a $10 million junior subordinated note held by Holdings was converted to equity. As of June 30, 1992, $46.9 was outstanding from Holdings.

During the first half of 1992, the Company decreased its outstanding short-term debt by $1.6 million. In addition, new long-term recourse debt totalling $2.0 million was issued and $55.2 million matured, resulting in a net decrease in long-term recourse debt of $53.2 million. During the same period, new nonrecourse debt of $66.9 million was issued and $46.0 million matured, resulting in a net increase in nonrecourse debt of $20.9 million.

The Company's usual sources of short-term funds are commercial paper, bank loan programs and committed bank facilities. The Company's committed bank facilities include a $430 million revolving credit agreement dated May 1, 1991 with 26 banks that expires on May 1, 1994, and a $110 million Euro-Credit agreement expiring July 18, 1993. At June 30, 1992, the Company had commercial paper outstanding of $104.2 million and uncommitted bank borrowings of $39.1 million. In addition, the Company had borrowed $390 million as of June 30, 1992 under the committed bank facilities, leaving unused commitments, in excess of outstanding commercial paper, of $45.8 million under the facilities. Subsequent to June 30, 1992, the Company repaid $65 million of borrowings under committed bank facilities, such that, at July 31, 1992 unused commitments in excess of outstanding commercial paper was $99.8 million. The Company's access to short term bank borrowings on an uncommitted basis has been severely restricted. In addition, the Company's commercial paper agent for its local program has suspended its marketing efforts until credit rating improvement is achieved. The Company still has access to the commercial paper markets through its national dealers, albeit on a limited basis experienced by A3/P3 rated issuers.

The Company's primary source of long-term debt has been the public medium-term note markets and term debt with banks. A shelf registration statement covering an aggregate $500 million of public debt securities became effective in November 1988 and periodic offerings of up to $300 million of medium-term notes commenced thereunder. These offerings include senior, senior subordinated and junior subordinated medium-term notes. As of June 30, 1992, a total of $146.2 million of senior notes, $30 million of senior subordinated notes and $21.5 million of junior subordinated notes have been issued since the inception of this offering. (However, only $2.0 million of senior medium-term notes were issued in the first half of 1992.) As a result of PacifiCorp's announced intent to limit the Company's assets to 10% of PacifiCorp's consolidated assets, the Company does not currently anticipate the need for future subordinated debt issuances. The Company's ability to issue public debt has been impaired by the general concern many institutional investors have with the financial services industry, despite the existence of support arrangements from Holdings as described below. The Company's debt covenants restrict the amount of subordinated debt that can be repurchased (see further discussion below).

Holdings has executed various support agreements with the Company in support of the Company's debt and bank facilities. Under the most extensive support agreement provided, Holdings has agreed (i) to maintain ownership of not less than 80% of the voting stock of the Company; (ii) in the event the Company breaches any of its financial covenants requiring the maintenance of tangible net worth as contained in the Company's committed bank credit facilities, such requirement being $167 million at June 30, 1992, to cause, by either a direct or indirect equity contribution to the Company, the tangible net worth of the Company to come into compliance with such financial covenants, and (iii) to provide the Company with liquidity support to enable the Company to fund its debt maturities. These support agreements may be amended or terminated upon satisfaction of certain conditions, including approval or confirmation of the Company's debt ratings from some or all of the rating agencies that rate the debt of the Company. The Company's tangible net worth, as defined by its most restrictive agreement, was $189.9 million at June 30, 1992 or $22.9 million greater than its most restrictive requirement.

The Company's bank credit agreements impose various restrictive covenants on its ability to incur senior and subordinated debt. As of June 30, 1992, after applying the most restrictive of these covenants, the Company could have incurred an additional $532.2 million of senior debt. The Company's bank credit agreements also restrict the Company's ability to declare dividends on its common shares, to effect purchases or redemptions of its common shares, to repurchase or refund subordinated debt or debt securities with a liquidation preference, and to dispose of substantial assets. As of June 30, 1992, as a result of financial adjustments attributable to implementing the Plan, covenants contained in the bank revolver agreements to which the Company is a party prohibited the Company from declaring dividends or making certain other distributions or equity-related payments.

On August 22, 1991, the Company completed the redemption of its outstanding Remarketed Preferred Stock™.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PACIFICORP FINANCIAL SERVICES, INC.
(Registrant)

/s/ Donald A. Bloodworth
Donald A. Bloodworth
Vice President and Treasurer

Dated: August 13, 1992

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)
(X)QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

( )TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .... to ....

Commission file number 0-1218

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of incorporation or organization)

56-0233140
(I.R.S. Employer Identification No.)

Microfilmed
By
Q-Data
Corporation
St. Petersburg, FL

400 COX ROAD, P.O. BOX 1398
GASTONIA, NORTH CAROLINA
(Address of principal executive offices)

28053-1398
(Zip Code)

(704) 864-6731
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of Common Stock, $1 par value, outstanding at July 31, 1992 10,348,979

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

The condensed financial statements included herein have been prepared by the registrant without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the registrant believes that the disclosures herein are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the registrant's latest annual report on Form 10-K.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Three Months Ended June 30		Nine Months Ended June 30		Twelve Months Ended June 30	
	1992	1991	1992	1991	1992	1991
Operating revenues	$45,104	$33,755	$210,042	$168,795	$234,486	$192,111
Cost of gas	23,112	15,434	113,696	90,360	125,248	103,119
Gross margin	21,992	18,321	96,346	78,435	109,238	88,992
Operating expenses and taxes:						
Operating and maintenance	10,785	9,171	32,500	29,417	41,542	38,065
Provision for depreciation	3,298	3,321	9,735	9,078	12,867	11,848
General taxes	2,641	2,182	10,233	8,738	12,087	10,516
Income taxes	760	140	12,657	7,564	11,000	5,478
	17,484	14,814	65,125	54,797	77,496	65,907
Operating income	4,508	3,507	31,221	23,638	31,742	23,085
Other income (deductions)	(470)	(299)	28	110	(197)	450
Interest deductions	3,247	3,273	10,150	10,021	13,583	13,336
Net income (loss)	791	(65)	21,099	13,727	17,962	10,199
Preferred dividends	24	27	73	84	100	114
Earnings (loss) applicable to common stock	$ 767	$ (92)	$ 21,026	$ 13,643	$ 17,862	$ 10,085
Average common shares outstanding	10,295	9,993	10,212	9,920	10,171	9,880
Earnings (loss) per share	$.07	$(.01)	$2.06	$1.38	$1.76	$1.02
Cash dividends declared per share	$.285	$.275	$.835	$.825	$1.11	$1.10

CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS

	Jun 30 1992	Sep 30 1991	Jun 30 1991
Gas utility plant	$432,310	$413,982	$406,095
Less - Accumulated depreciation	129,158	120,491	117,902
	303,152	293,491	288,193
Non-utility property, net	10,860	11,293	11,319
Current assets:			
Cash and temporary investments	9,431	3,190	5,031
Restricted cash and temporary investments	6,115	-	-
Receivables, less allowance for doubtful accounts	10,468	12,389	12,853
Materials and supplies	7,164	7,036	7,671
Stored gas inventory	5,353	7,464	4,985
Deferred gas cost	619	1,002	926
Recoverable purchased gas cost	4,217	12,289	9,518
Prepayments	759	637	900
	44,126	44,007	41,884
Deferred charges and other assets	3,466	3,335	3,082
Total	$361,604	$352,126	$344,478
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common equity -			
Common stock, $1 par	$ 10,304	$ 10,054	$ 9,996
Capital in excess of par value	63,796	59,672	58,821
Retained earnings	46,949	34,671	40,611
	121,049	104,397	109,428
Redeemable preferred stock, $25 par	1,602	1,720	1,852
Long-term debt	132,556	104,094	104,094
	255,207	210,211	215,374
Current liabilities:			
Maturities of long-term debt	3,538	4,417	4,417
Accounts payable	10,026	11,357	9,062
Accrued taxes	6,289	4,558	6,591
Refunds due customers	3,727	18,826	19,176
Customer deposits	1,645	1,559	1,591
Cash dividends and interest	4,821	5,977	4,701
Accrued pension cost	10,105	8,012	7,358
Restricted supplier refunds	6,115	-	-
Customer prepayments and other	10,182	11,017	11,819
	56,448	65,723	64,715
Interim bank loans	-	29,000	18,000
	56,448	94,723	82,715
Deferred investment tax credits	5,857	6,438	6,308
Deferred income taxes	44,092	40,754	40,081
Total	$361,604	$352,126	$344,478

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In thousands)

	Twelve Months Ended June 30	
	1992	1991
Balance beginning of period	$40,611	$41,531
Add - Earnings for common stock	17,862	10,085
Deduct - Common stock dividends and other	11,524	11,005
Balance end of period	$46,949	$40,611

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended June 30		Twelve Months Ended June 30	
	1992	1991	1992	1991
Cash Flows From Operating Activities:				
Net income	$21,099	$13,727	$17,962	$10,199
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation, depletion and other	11,305	10,501	15,173	14,070
Deferred income taxes	3,339	2,609	4,012	3,978
Change in operating assets and liabilities:				
Receivables, net	1,217	(1,865)	1,562	(3,989)
Inventories	1,983	5,056	139	(296)
Accounts payable	(1,331)	(1,336)	963	(1,278)
Other assets and liabilities	(4,771)	(4,756)	(8,656)	(6,095)
	32,841	23,936	31,155	16,589
Cash Flows From Investing Activities:				
Construction expenditures	(20,283)	(27,750)	(28,994)	(34,968)
Non-utility and other	(45)	(5,205)	(486)	(6,017)
	(20,328)	(32,955)	(29,480)	(40,985)
Cash Flows From Financing Activities:				
Sale of senior debentures, net of expenses	31,752	-	31,752	-
Issuance of common stock through dividend reinvestment, stock purchase and stock option plans	4,163	3,512	5,080	4,382
Increase (decrease) in interim bank loans, net	(29,000)	16,000	(18,000)	18,000
Retirement of long-term debt, preferred and common stock	(4,751)	(2,175)	(4,894)	(2,307)
Cash dividends	(8,436)	(8,209)	(11,213)	(10,914)
	(6,272)	9,128	2,725	9,161
Net increase (decrease) in cash and temporary investments	6,241	109	4,400	(15,235)
Cash and temporary investments at beginning of period	3,190	4,922	5,031	20,266
Cash and temporary investments at end of period	$ 9,431	$ 5,031	$ 9,431	$ 5,031
Cash paid during the period for:				
Interest (net of amount capitalized)	$ 9,912	$ 9,645	$11,498	$10,845
Income taxes	7,549	-	7,549	1,147

NOTES TO FINANCIAL STATEMENTS

1. For information regarding significant accounting policies, subsidiary operations, ongoing regulatory matters, redeemable preferred stock, common stock, employee benefit plans, short-term borrowing arrangements, income taxes, environmental issues, long-term debt and construction program, reference is made to the Company's September 30, 1991 Annual Report.

The Company's business is seasonal in nature. The interim results for the first, second and third quarters are not indicative of those which may be expected for the annual period.

Certain amounts previously reported have been reclassified to conform with the current period's presentation.

2. During fiscal 1992, the Company received $6,029,000 of refunds from its pipeline supplier. These refunds, along with interest earned thereon of $86,000, are reported in restricted cash and temporary investments and restricted supplier refunds. The investment and use of these funds have been restricted by an order of the North Carolina Utilities Commission (NCUC). Pursuant to the order, these funds are to remain segregated from the Company's general funds and, pending further order of the NCUC, may be used for expansion of the Company's facilities into unserved territories or refunded to customers.

3. In February 1992, the Financial Accounting Standards Board (FASB) issued its Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which will require the Company to make certain changes in its accounting for both current and deferred income taxes. This statement supersedes SFAS No. 96 previously issued. The Company is required to implement this statement no later than its fiscal year beginning October 1, 1993. Under SFAS No. 109, deferred income tax balances must reflect tax rates in effect at the time of adoption. At current rates, this would result in reduced deferred income taxes with a corresponding regulatory liability. Based on past and expected regulatory treatment, adoption of the standard is not expected to have a material effect on the Company's financial position or results of operations.

4. In December 1990, the FASB issued its SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," required to be adopted no later than its fiscal year beginning October 1, 1993. The Company does not plan to adopt the standard prior to that time, and does not expect the adoption to materially affect its financial position or results of operations based upon recent regulatory treatment afforded other companies under the jurisdiction of the NCUC.

5. As discussed more fully in Note 9 to the financial statements of the 1991 Annual Report, the Company undertook a preliminary evaluation of six sites on which manufactured gas operations were previously conducted. The preliminary evaluation, which was completed in June 1992, indicates that five of the sites evaluated will require further investigation and may require some level of remedial action. As a result of this evaluation, the Company accrued $750,000 for further investigative costs in current liabilities with a corresponding charge to operating expenses. To the extent the Company may incur or be determined to be responsible for cleanup costs, the Company will pursue recovery through all appropriate means. Management cannot predict the outcome of this matter at this time.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Changes in Financial Condition

The capital expansion program, through the construction of lines, services, systems, facilities and the purchase of equipment, is designed to help the Company meet the growing demand for its product. The Company's fiscal 1992 construction budget was increased by the Board of Directors at its July 22, 1992 meeting from $31,445,000 to $33,000,000. Actual construction expenditures for fiscal 1991 were $36,461,000. At this meeting, the Board approved a fiscal 1993 construction budget of $39,000,000. Both of the increases were made in view of the continuing heavy demand for gas service in the Company's sales territory. The construction program is regularly reviewed by management and is dependent upon the Company's continuing ability to generate adequate funds internally and to sell new issues of debt and equity securities on acceptable terms. Construction expenditures during the nine and twelve months ended June 30, 1992 were $20,283,000 and $28,994,000, respectively, as compared to $27,750,000 and $34,968,000 for the same periods a year ago. The decrease in comparative construction expenditures for the nine- and twelve-month periods is due to the completion of a large transmission line project during the first quarter of fiscal 1991 and reflects a concerted effort by the Company to reduce construction expenditures through marketing programs which emphasize load growth through the addition of customers on existing distribution mains.

On June 26, 1992, the Company issued and sold through private placement $32,000,000 of 8.75%, Senior Debentures due 2012 to three institutional investors. The majority of the net proceeds from this sale was used to retire all outstanding short-term indebtedness. At June 30, 1992, the remaining proceeds were invested in temporary investments and were later used to finance a portion of the Company's 1992 capital expansion program and for other general corporate purposes. Depending upon market conditions, construction levels and internal fund generation, management anticipates another long-term debt issue in the $25,000,000 range during the last half of fiscal 1993. However, management does not see the need for a public offering of common stock for the foreseeable future due to the Company's current capital position, earning's trend and dividend reinvestment/stock purchase plan contributions to equity.

Restricted cash and temporary investments and restricted supplier refunds, as discussed in Note 2 to the financial statements, are attributable to refunds of $6,029,000 received from the Company's pipeline supplier during fiscal 1992 and interest earned thereon of $86,000. The investment and use of these funds have been restricted by an order of the NCUC. Pursuant to the order, these funds are to remain segregated from the Company's general funds and, pending further order of the NCUC, may be used for expansion of the Company's facilities into unserved territories or refunded to customers. On August 7, 1992, the Company received additional supplier refunds of $4,288,000 which have been added to the restricted supplier refund account.

There were no short-term bank loans outstanding at June 30, 1992 due to the retirement of the short-term indebtedness previously discussed. The Company utilizes short-term financing temporarily, together with internally generated funds, long-term debt and equity financing to fund its continuing construction program, seasonal financing of stored gas inventories and other general corporate requirements. The Company has committed lines of short-term bank credit with ten banks which in total range from $15,000,000 to $27,000,000 for the twelve-month period beginning April 1, 1992, based upon the Company's projected cash requirements. The Company also has uncommitted lines of credit with two other banks which total $19,000,000. These lines of credit are reviewed and updated annually. Management believes these lines are currently adequate to finance construction expenditures, stored gas inventories and other corporate needs.

The decrease in recoverable purchased gas costs from June 30, 1991 and September 30, 1991 was due primarily to a collection increment implemented during January 1992 and a rate mechanism approved in an order of the NCUC dated June 6, 1990 providing that the Company should neither overcollect nor undercollect its fixed gas costs incurred after April 1, 1990. Fixed gas costs include charges for firm transportation, firm gas supply and firm storage and are billed equally each month by the Company's pipeline supplier. In accordance with this order and effective April 1, 1991, the Company began recording monthly the difference between fixed gas costs incurred and billed by the Company to its customers, thereby matching fixed gas cost expenses to the period in which they are recovered through rates and ensuring that any overcollections or undercollections of these costs are set aside for future refund to or collection from customers. The decrease during these periods reflects the collection of fixed gas costs in excess of the level incurred.

At June 30, 1992 refunds due customers were $3,727,000 as compared to $18,826,000 at September 30, 1991. This decrease was due primarily to the operation of the Company's Rider D rate mechanism. During the current fiscal year, this mechanism generated net gas cost savings of $22,000,000, while refunds paid to customers during this period approximated $35,000,000. These refunds included $13,000,000 of bill credits applied to customers' bills during May 1992.

Effective May 1992, PSNC Propane Corporation, a second-tier subsidiary of Public Service Company of North Carolina, Inc., sold for cash its retail propane assets in Roxboro, North Carolina to a propane distributor in the region for approximately book value. This sale was the primary reason for the decline in the Company's non-utility property.

Changes in Results of Operations

(Amounts in thousands except degree day data)	Three Months Ended June 30		Nine Months Ended June 30		Twelve Months Ended June 30	
	1992	1991	1992	1991	1992	1991
Gross margin	$ 21,992	$ 18,321	$ 96,346	$ 78,435	$109,238	$ 88,992
Total volume throughput (DT):						
Residential	3,134	2,092	15,133	12,938	16,012	13,774
Small commercial	2,234	1,479	9,756	7,457	10,840	8,443
Large commercial and industrial	6,600	6,915	21,662	21,579	28,198	27,937
	11,968	10,486	46,551	41,974	55,050	50,154
Raleigh/Durham degree days:						
Actual	348	171	3,165	2,702	3,189	2,720
Normal	255	255	3,356	3,338	3,374	3,356
Percent of normal	136%	67%	94%	81%	95%	81%
Customers:						
Residential					213,573	203,397
Small commercial					26,195	24,919
Large commercial and industrial*					371	500
					240,139	228,816

* The decrease was due to the reclassification based on annual usage of 130 large commercial and industrial customers to small commercial customers.

Gross margin for the three, nine and twelve months ended June 30, 1992 increased 20%, 23% and 23%, respectively, as compared to the same periods of the previous year. The following factors contributed to the net increases:

- Quantities of gas sold to higher-margin, weather-sensitive residential and small commercial customers increased for all three periods. Quantities sold to residential customers during the three, nine and twelve months ended June 30, 1992 increased 50%, 17% and 16%, respectively, while quantities sold to small commercial customers increased 51%, 31% and 28%, respectively. This increase was due to weather, which was 104%, 17% and 17%, respectively, colder than the same periods last year and a 5% increase in both the residential and small commercial customer bases as compared to the previous year.

- The Company received from the NCUC a general rate order effective November 1, 1991 granting the Company an increase in annual revenues of $5,300,000. Included in this order was a weather normalization adjustment (WNA) which was in effect November 1, 1991 through April 30, 1992. The normalized margins during November 1991 through April 1992 were relatively higher than in fiscal 1991 when margins were depressed due to abnormally warm weather and were not weather-normalized. The net impact of WNA for the nine and twelve months ended June 30, 1992 was to increase margins from their unadjusted levels by $5,161,000. For the three months ended June 30, 1992, the increase in margin was partially negated by the WNA which decreased margin by $756,000 during the month of April 1992 when weather was colder than normal.

The increase in gross margin for the nine and twelve months ended June 30, 1992 was partially offset by the effect of the previously discussed fixed gas cost tracking mechanism. For the nine and twelve months ended June 30, 1992, this resulted in the recognition of approximately $3,000,000 and $2,234,000, respectively, of additional costs as compared to the prior year.

Operating and maintenance expenses for the three, nine, and twelve months ended June 30, 1992 increased 18%, 10%, and 9%, respectively, as compared to the same periods of the previous year. Contributing to the increase for all three periods was an increase in educational expenses which resulted from the Company's expansion of its employee development programs, wage increases, and rising health insurance costs. Depreciation expense increased for the nine and twelve months ended June 30, 1992 due to utility plant additions. The Company is generally able to recover these types of costs through general rate cases. Operating and maintenance expense also included the accrual of $750,000 for investigative costs related to the Company's former manufactured gas plant sites. (See section entitled, "Environmental Matters.")

General taxes increased for all three periods as compared to the prior year periods due to increased franchise tax expense which is calculated based on revenues.

Other income (deductions) decreased for all three periods as compared to the prior year periods. The decrease reflects decreased earnings from the Company's subsidiary operations as a result of decreased revenues received from its oil and gas properties and increased operating expenses associated with the acquisition of certain propane distribution assets. Also contributing to the decrease for the nine and twelve months ended June 30, 1992 was decreased earnings from the Company's merchandise operations. These losses reflect the increased cost of installing appliances sold and increased marketing promotions. The decrease for the nine and twelve months ended June 30, 1992 was partially offset by interest earned on recoverable purchased gas costs deferred pursuant to the previously discussed fixed gas cost tracking mechanism.

Interest deductions for the nine and twelve months ended June 30, 1992 increased 1% and 2%, respectively, as compared to the same periods last year. These increases were due to the increased average bank loans outstanding which were offset somewhat by lower average interest rates.

The changes in earnings per share for all periods presented reflect increases of 3% in the average number of common shares outstanding, due primarily to shares issued through the Company's dividend reinvestment and stock option plans. Also contributing to the increased number of shares outstanding for the nine and twelve months ended June 30, 1992 was the issuance of shares through the Company's stock purchase plan.

Recent Pronouncements of the Financial Accounting Standards Board

In February 1992, the Financial Accounting Standards Board (FASB) issued its Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which will require the Company to make certain changes in its accounting for both current and deferred income taxes. As discussed in Note 3 to the financial statements, adoption of the standard is not expected to have a material effect on the Company's financial position or results of operations.

In December 1990, the FASB issued its SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," required to be adopted no later than its fiscal year beginning October 1, 1993. As discussed in Note 4 to the financial statements, the Company does not expect the adoption to materially affect its financial position or results of operations.

Environmental Matters

During June 1992, the Company completed a preliminary evaluation of six former manufactured gas plant sites, portions of which are owned by the Company. The study was conducted by an environmental engineering firm and was intended to provide base data on the sites to assist the Company in developing a systematic plan to address any related potential environmental liabilities. One of the sites was determined to be low priority with no further action anticipated. The remaining five sites will require further investigation of the environmental conditions to make a detailed risk assessment to determine the need for and the extent to which cleanup measures may be required. Consequently, it is not possible to precisely estimate the potential costs to be incurred in assessing and, if necessary, conducting remediation at these sites. However, the investigative costs for determining the extent of any environmental degradation are expected to range from $150,000 to $400,000 per site for an aggregate cost of between $750,000 and $2,000,000. The Company expects the investigative costs to be incurred over the next two fiscal years. As these investigations are completed, the extent of further work can be more precisely estimated, including risk assessments required to evaluate potential health or environmental hazards, and feasibility studies to identify the most effective remediation techniques. This may also result in costs to implement and conduct remediation. Based upon an estimate of the minimum investigative cost at each of the remaining five sites, the Company has accrued $750,000 in current liabilities with a corresponding charge to operating expenses.

The Company does not have any estimates of the extent to which these potential costs may be recoverable through rates, insurance, or third parties; accordingly, the full amount of the accrual has been expensed. All reasonable and prudent means for recovery will be examined by the Company. Although the NCUC has not taken a position to date on the recovery of such costs through utility rates, the continuing trend in the industry in other states is for regulators to permit recovery of at least portions of such costs. Management cannot predict the ultimate resolution of this matter at this time.

Gas Supply

On May 12, 1992, Public Service Company signed a Letter of Intent with its pipeline supplier, Transcontinental Gas Pipe Line Corporation (Transco), to become a minority equity owner in a new interstate pipeline. The pipeline is projected to be in service by November 1994 and will be operated by Transco under the jurisdiction of the Federal Energy Regulatory Commission (FERC). This pipeline, which will be an expansion of Transco's existing pipeline system, will increase available gas supplies in the Company's distribution area to help satisfy its projected growth requirements. In conjunction with this new capacity, the Company is considering several intrastate pipeline construction projects which will better enable it to move the associated gas supply to its eastern market.

On June 12, 1992, the Company received notification from Transco that it was not prepared at this time to extend its LGA Storage Agreement with the Company. This agreement is for storage capacity of 25,875 DT of natural gas annually. Transco stated that it intends to wait until such time that the effects of Order No. 636 on storage services are known before it agrees to extend the agreement.

On June 16, 1992, the Company also received notification from Transco that it was not prepared at this time to renew the Company's GSS Storage Agreement. This agreement is for storage capacity of 1,923,485 DT of natural gas annually. Transco's service to the Company is dependent upon, in part, Transco's GSS Storage Agreement with CNG Transmission Corporation (CNG), the primary term of which expired March 31, 1992. The terms of the GSS Storage agreement between Transco and CNG and between the Company and Transco require a 24-month written notice of termination, neither of which have been tendered. Transco intends to provide GSS service to the Company for a minimum of such 24-month period but is unable to commit to extend the GSS Service Agreement beyond that time until the effects of Order No. 636 are better known. Management does not expect any material effect on the Company's financial position or results of operations as a result of these matters.

In April 1992, the FERC issued Order No. 636 in an attempt to finalize the restructuring of the interstate pipeline industry. Since its issuance, hundreds of requests for rehearing have been filed with the FERC. Given the fact that the Company's primary interstate pipeline supplier (Transco) is currently operating in an unbundled mode, the Company believes that unbundling as mandated by the Order will be workable and potentially beneficial for the natural gas industry. The Company, however, is concerned with a number of provisions in the Order, including the shift in rate design from modified fixed variable to straight fixed variable and the resulting burden it could place on its residential and small commercial customers. The Company has been and will continue to be active in proceedings to address these concerns. Management does not expect any material effect on the Company's financial position or results of operations as a result of this order.

Regulatory Matters

On April 15, 1992, the Attorney General for the State of North Carolina filed a petition with the NCUC to institute an investigation into the WNA, which was approved for all of the state's local distribution companies, on the grounds that the WNA is unjust and unreasonable. On August 4, 1992, the NCUC concluded that there were no reasonable grounds to reconsider or investigate the WNA in the context of a complaint proceeding, but the question concerning the WNA could be addressed in the context of each utility's next general rate case.

EXHIBIT 11

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED
COMPUTATION OF EARNINGS PER SHARE
(In thousands, except per share amounts)

	Three Months Ended June 30		Nine Months Ended June 30		Twelve Months Ended June 30	
	1992	1991	1992	1991	1992	1991
Earnings (loss) available for common	$ 767	$ (92)	$21,026	$13,643	$17,862	$10,085
Average common shares outstanding	10,295	9,993	10,212	9,920	10,171	9,880
Additional dilutive effect of outstanding options (as determined by the application of the treasury stock method)	56	33	44	30	40	30
Average common shares outstanding as adjusted	10,351	10,026	10,256	9,950	10,211	9,910
Earnings (loss) per share, as adjusted	$.07	$(.01)	$2.05	$1.37	$1.75	$1.02

This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Part I Exhibits:

11 - Statement re computation of per share earnings.

Part II Exhibits:

3-E - By-Laws, as amended to date.

4-D - Debenture Purchase Agreement, dated as of June 25, 1992, for $32,000,000 of 8.75% Senior Debentures due June 30, 2012.

(b) Reports on Form 8-K:

The Company filed a Current Report on Form 8-K dated May 21, 1992, updating the description of its Common Stock.

The Company filed a Current Report on Form 8-K dated June 25, 1992, updating the description of its Common Stock.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PUBLIC SERVICE COMPANY
OF NORTH CAROLINA, INCORPORATED
(Registrant)

Date 8-13-92

Charles E. Zeigler, Jr.

Charles E. Zeigler, Jr.
President and
Chief Executive Officer

Date 8-13-92

Robert D. Voigt

Robert D. Voigt
Senior Vice President - Finance
and Treasurer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the six months ended June 30, 1992

Commission file number 33-2967-LA

APPLIED DENTAL TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Nevada	95-3820704
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3795 30th Street, San Diego, California 92104
(Address of principal executive offices, including zip code)

(619) 295-0262
(Registrant's Telephone Number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES _X_ NO ___

There were 2,000,000 shares of the Registrant's $.02 par value common stock outstanding as of June 30, 1992.

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St. Petersburg, FL

APPLIED DENTAL TECHNOLOGY, INC.

Financial statements for the sx months ended June 30, 1992 are presented on pages 3 through 7.

There were no legal proceedings, changes in securities, defaults in senior securities, submission of matters to a vote of security holders, or other information needed to be reported to the SEC during the six months ended June 30, 1992.

Applied Dental Technology, Inc.
Combined Balance Sheet
June 30, 1992

ASSETS

CURRENT ASSETS		
Cash In Bank	$20,571	
Accounts Receivable	251,562	
Employee Loans Receivable	7,633	
Inventories	131,333	
Prepaid Expenses	6,593	
Total Current Assets		$417,692
FIXED ASSETS		
Fixed Assets	625,836	
Accumulated Depeciation & Amortization	(412,955)	
Total Fixed Assets		212,881
OTHER ASSETS		
Organization Costs - Net	575	
Security Deposits	5,370	
Inter-Company Accounts	62	
Due From Stockholder	162,669	
Total Other Assets		168,676
Total Assets		$799,249

Applied Dental Technology, Inc.
Combined Balance Sheet
June 30, 1992

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts & Accrued Expenses Payable	$214,693	
Current Portion Notes Payable	34,128	
Total Current Liabilities		$248,821
NON-CURRENT LIABILITIES		
Notes Payable - Long Term	11,330	
Due To Stockholder	138,908	
Total Non-Current Liabilities		150,238
Total Liabilities		399,059
STOCKHOLDERS' EQUITY		
Common Stock	200	
Additional Paid In Capital	266,019	
Retained Earnings	(45,606)	
Net Income	179,577	
Total Stockholders' Equity		400,190
Total Liabilities & Stockholders' Equity		$799,249

Applied Dental Technology, Inc.
Combined Income Statement
For The Six Months Ended June 30, 1992

NET OPERATING INCOME				
Operating Income		$1,392,424		113.5 %
Returns & Allowances		(86,263)		(7.0)%
Dentical Discounts		(79,409)		(6.5)%
Net Operating Income			$1,226,752	100.0 %
DIRECT EXPENSES				
Contract Labor		1,924		0.2 %
Credit Card Charges		3,910		0.3 %
Depreciation & Amortization		40,160		3.3 %
Drugs & Medical Supplies		118,396		9.7 %
Insurance		19,625		1.6 %
Laboratory Expenses		24,925		2.0 %
Misc. Patient Expenses		30		
Payroll Service Charges		2,170		0.2 %
Payroll Taxes		39,442		3.2 %
Rent		54,120		4.4 %
Salaries		400,950		32.7 %
Taxes & Licenses		130		
Telephone		11,195		0.9 %
Uniforms & Linens		1,554		0.1 %
Utilities		7,526		0.6 %
Total Direct Expenses			726,057	59.2 %
GROSS MARGIN			$500,695	40.8 %
ADMINISTRATIVE EXPENSES				
Employment Advertising	$275			
Office Expenses	18,985			1.5 %
Postage	2,231			0.2 %
Total Administrative Expenses		21,491		1.8 %
INTEREST EXPENSE				
Interest Expense		5,180		0.4 %

Prepared By Management

Applied Dental Technology, Inc.
Combined Income Statement
For The Six Months Ended June 30, 1992

OFFICERS' SALARY & CORPORATE				
Corporate Auto Expense	8,542			0.7 %
Corporate Continuing Education	2,603			0.2 %
Corporate Fees	174			
Corporate Office Expenses	17,595			1.4 %
Corporate Professional Fees	436			
Corporate Travel & Meals	11,880			1.0 %
Officers' Salary	122,825			10.0 %
Total Officers' Salary & Corporate		164,055		13.4 %
SELLING EXPENSE				
Advertising		104,675		8.5 %
OTHER OPERATING EXPENSES				
Alarm	566			
Auto	41			
Bank Service Charges	746			0.1 %
Continuing Education	777			0.1 %
Dues, Subscriptions & Publications	3,865			0.3 %
Janitorial Supplies & Cleaning	3,539			0.3 %
Meals & Entertainment	133			
Miscellaneous Expenses	253			
Repairs & Maintenance	15,055			1.2 %
Trash Collection	613			
Total Other Operating Expenses		25,588		2.1 %
Total Expenses			320,989	26.2 %
Net Income Before Taxes			179,706	14.6 %
TAXES				
State Income Taxes			129	
NET INCOME			$179,577	14.6 %

Applied Dental Technology, Inc.
Combined Statement of Cash Flows
For The Six Months Ended June 30, 1992

CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	$179,577	
ADJUSTMENTS REQUIRED TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATIONS:		
Amortization & Depreciation Expense	40,160	
Net Change in Accounts Receivable	(112,960)	
Net Change in Employee Loans Receivable	768	
Net Change in Prepaid Expenses	(300)	
Net Change in Accounts & Accrued Expenses Payab	4,391	
Net Cash Provided By Operations		$111,636
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Office Equipment	(7,516)	
Net Cash Used By Investing Activities		(7,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(26,332)	
Payments to Stockholder	(75,085)	
Net Cash Used By Financing Activities		(101,417)
Net Increase in Cash		2,703
Cash at December 31, 1991		17,868
Cash at June 30, 1992		$20,571

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APPLIED DENTAL TECHNOLOGY, INC.
(Registrant)

Date: August 12, 1992 By: ______________
Dr. Lee Wright, Director, Chief
Executive Officer and Treasurer

Date: August 12, 1992 By: ______________
Glenna Wright, Secretary

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

APPLIED DENTAL TECHNOLOGY, INC.
(Registrant)

Date: August 12, 1992 By: ______________
Dr. Lee Wright, Director

Date: August 12, 1992 By: ______________
Glenna Wright, Director

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended: June 30, 1992

_____ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-10773

SUNRISE BANCORP
(exact name of registrant as specified in its charter)

California	94-2819328
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5 Sierragate Plaza, Roseville, CA	95678
(Address of principal executive offices)	(Zip code)

(916) 786-7080
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x No _____

Number of shares of Common Stock issued and outstanding as of July 31, 1992: 4,060,637

The total number of pages in this Form 10-Q is twenty-two (22).

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Corporation
St. Petersburg, FL

SUNRISE BANCORP

QUARTERLY REPORT ON FORM 10-Q

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ITEM 1 – FINANCIAL STATEMENTS

SUNRISE BANCORP AND SUBSIDIARIES

Consolidated Statements of Condition
June 30, 1992 and December 31, 1991
(unaudited)

(dollar amounts in thousands)

Assets	June 30, 1992	December 31, 1991
Cash and due from banks	$37,849	$28,172
Interest bearing deposits	1,089	1,586
Federal funds sold	8,000	6,000
Securities purchased under agreements to resell	37,000	22,000
Total cash and cash equivalents	83,938	57,758
Investment securities(market value of $14,215 in 1992 and $12,504 in 1991)	14,028	12,304
Mortgage loans held for sale	47,254	59,474
Loans (net of deferred fees and costs of $506 in 1992 and $497 in 1991)	132,031	126,720
Less allowance for loan losses	2,112	2,174
Net loans	129,919	124,546
Premises and equipment	2,737	2,731
Other real estate owned	2,655	7,535
Other assets	3,357	4,314
	$283,888	$268,662
Liabilities and Shareholders' Equity		
Deposit liabilities:		
Noninterest bearing	$155,011	$131,526
Interest bearing	71,782	71,875
Total deposit liabilities	226,793	203,401
Other borrowings	32,421	40,169
Other liabilities	2,213	3,963
Total liabilities	261,427	247,533
Commitments and contingent liabilities (note 2)		
Shareholders' equity:		
Preferred stock, no par value. Authorized 20,000,000 shares; none issued	–	–
Common stock, no par value. Authorized 20,000,000 shares; issued 4,060,637 shares in 1992 and 3,819,407 shares in 1991	17,770	16,902
Retained earnings	4,691	4,227
Total shareholders' equity	22,461	21,129
	$283,888	$268,662

See accompanying notes to consolidated financial statements.

SUNRISE BANCORP AND SUBSIDIARIES

Consolidated Statements of Operations
For the three and six months ended June 30, 1992 and 1991
(unaudited)

(dollar amounts in thousands, except per share data)	Three months ended June 30, 1992	Three months ended June 30, 1991	Six months ended June 30, 1992	Six months ended June 30, 1991
Interest income:				
Interest on loans	$2,791	$4,166	$5,631	$8,426
Interest on mortgage loans held for sale	1,340	1,050	2,580	1,634
Interest on investment securities	221	205	395	366
Interest on Federal funds sold and repurchase agreements	231	353	548	675
Interest on deposits	16	88	30	149
Total interest income	4,599	5,862	9,184	11,250
Interest expense:				
Interest on deposit liabilities	746	2,209	1,612	4,695
Interest on other borrowings	795	855	1,642	1,355
Total interest expense	1,541	3,064	3,254	6,050
Net interest income	3,058	2,798	5,930	5,200
Provision for loan losses	290	600	320	700
Net interest income after provision for loan losses	2,768	2,198	5,610	4,500
Other income:				
Service charges and fees	410	309	824	652
Loan sales	2,427	1,338	3,577	2,048
Gain (loss) on sale of investment securities	–	15	(41)	18
Other	6	610	9	610
Total other income	2,843	2,272	4,369	3,328
Other expenses:				
Salaries and employee benefits	2,003	1,641	3,718	2,963
Occupancy	395	318	791	606
Furniture and equipment	275	189	506	349
Other	1,740	1,112	3,107	1,742
Total other expenses	4,413	3,260	8,122	5,660
Income before provision for income taxes	1,198	1,210	1,857	2,168
Provision for income taxes	492	498	764	891
Net income	$706	$712	$1,093	$1,277
Net income per share	$0.17	$0.20	$0.27	$0.35

See accompanying notes to consolidated financial statements.

SUNRISE BANCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the six months ended June 30, 1992 and 1991
(unaudited)

(dollar amounts in thousands)	Six months ended June 30, 1992	1991
Operating activities:		
Net income	$1,093	$1,277
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Accretion of deferred loan fees and costs	(395)	(852)
Net change in mortgage loans held for sale	12,220	(21,664)
Servicing premiums	(96)	(67)
Provisions for loan and other real estate owned losses	453	700
Depreciation and amortization	518	436
Net change in other assets	913	(1,189)
Net change in other liabilities	(1,750)	(1,178)
Net cash provided (used) by operating activities	12,956	(22,537)
Investing activities:		
Purchases of investment securities	(5,997)	(10,807)
Sales of investment securities	2,819	196
Maturities and repayments of investment securities	1,421	255
Net decrease in loans	(6,562)	(7,024)
Sales of other real estate owned	6,011	-
Net purchases of premises and equipment	(352)	(601)
Net cash used by investing activities	(2,660)	(17,981)
Financing activities:		
Increase in deposit liabilities	23,392	96,272
Increase (decrease) in other borrowings	(7,748)	19,125
Issuance of common stock	240	-
Net cash provided by financing activities	15,884	115,397
Increase in cash and cash equivalents	26,180	74,879
Cash and cash equivalents at beginning of period	57,758	33,168
Cash and cash equivalents at end of period	$83,938	$108,047
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$3,216	$6,126
Income taxes	$10	$1,421
Supplemental schedule of noncash investing and financing activities:		
Other real estate owned acquired through foreclosure on assets securing loans	$1,264	$2,840
Stock dividend	$628	-

See accompanying notes to consolidated financial statements.

SUNRISE BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements
June 30, 1992
(unaudited)

1) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

The consolidated financial statements include the accounts of Sunrise Bancorp (the "Company") and its wholly-owned subsidiaries, Sunrise Bank of California (the "Bank"), and Western Sunrise Mortgage Corporation ("Western Sunrise"), with all material intercompany accounts and transactions eliminated. For further information refer to the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

2) Commitments and Contingent Liabilities

The Bank has been named as defendant in two separate complaints presently pending in the Superior Court of the State of California. Each of these complaints seek recovery from the Bank of sums allegedly withdrawn through the use of forged or unauthorized signatures, interest, costs of suit, and in some instances unspecified exemplary and punitive damages.

The two complaints involve pension and profit sharing deposit accounts which were administered by First California Consultants, Inc., formerly controlled by James B. Nicholson. The complaints outstanding total an aggregate sum of approximately $940,000, not including claims for accrued interest or exemplary and punitive damages. The Bank and its attorneys continue to investigate each of the claims, and intend to vigorously defend against any claims they believe are without merit.

As a result of its ongoing investigation of the complaints and claims described above and other related claims, the Bank has established and maintained a financial statement reserve by charges to operations of $5,928,000 in 1988, 1989, and 1991 and $80,000 in the current year. After settlement of other related claims and the expenditure of legal fees and costs, the reserve at June 30, 1992 totaled $472,413. The final resolution of the actual liability for the remaining claims, however, cannot presently be determined.

Note 2 (continued)

The Company and its subsidiaries are at times subject to other threatened or filed legal actions with regard to matters arising out of the conduct of their businesses. It is the opinion of management, after consulting with legal counsel, that the resulting liability, if any, as a result of these legal actions are not currently anticipated to materially affect the consolidated financial position of the Company.

In the normal course of business, Western Sunrise sells mortgage loans to FHLMC, FNMA, and private investors which are subject to various standard recourse provisions. These provisions generally allow the investor to require Western Sunrise to repurchase the loan due to nonperformance by the borrower during the first six months of the loan or due to inadequate underwriting. In the first six months of 1992, Western Sunrise sold loans under these recourse provisions with principal balances totaling $182 million to FHLMC, $92 million to FNMA, and $182 million to other private investors. Western Sunrise repurchased loans with principal balances totaling approximately $850,000 in the first half of 1992, $603,000 in 1991 and $287,000 in 1990. The loans repurchased by Western Sunrise have not resulted in material losses to the Company.

3) Regulatory Matters

On July 16, 1991, the Bank entered into a voluntary informal agreement or Memorandum of Understanding (the "Memorandum") with the Federal Deposit Insurance Corporation (the "FDIC") and the Superintendent of Banks of the State of California (the "Superintendent") to address certain matters arising from a joint examination conducted by the FDIC and the Superintendent dated February 8, 1991. These matters necessitated the development by the Bank, FDIC, and the Superintendent of a comprehensive corrective program. Significant aspects of this program as detailed in the Memorandum include commitments of the Bank to: (a) retain qualified management, including a chief executive officer with proven ability in managing a bank of comparable size and characteristics; (b) maintain an adjusted primary capital ratio of not less than 8.0% by August 31, 1991 and thereafter; (c) eliminate from its books, by charge-off or collection, certain criticized assets and reduce other criticized assets to specified levels at various dates through July 16, 1992; (d) adopt and implement certain policies acceptable to the FDIC and the Superintendent, including (1) lending and collection policies, (2) an asset/liability management policy, (3) an investment policy incorporating securities trading guidelines, (4) a liquidity policy, and (5) a policy which addresses the internal routines and controls of the Bank; (e) adopt and implement a revised executive compensation plan; (f) adopt and implement a plan to diversify the Bank's loan portfolio which will result in maximum concentration of real estate acquisition, construction and development loans which does not exceed 300 percent of total primary capital as of January 16, 1992, 150 percent as of July 16, 1992 and 100 percent as of November 16, 1993; (g) devise a mid-range strategic plan for the period 1991-1993 which reflects changes in the operations of the Bank which will be necessary to comply with the Memorandum and which

Note 3 (continued)

focuses on maintaining future growth at a level which does not exceed 10% per year measured from December 31, 1990; (h) not pay cash dividends without approval in advance by the FDIC or which would reduce the Bank's adjusted primary capital ratio to less than 8.0%; and (i) furnish quarterly written progress reports to the FDIC and the Superintendent detailing the form and manner of any actions taken to comply with the Memorandum. The provisions of the Memorandum will remain effective except to the extent that, and until such time as, any of its provisions are modified, terminated, suspended or set aside by the FDIC and Superintendent.

Management believes that the Bank is currently in compliance with all requirements of the Memorandum. However, there can be no assurance that the Bank will remain in compliance. Furthermore, compliance is ultimately determined by the FDIC during subsequent examinations of the Bank. Should the Bank fail to comply in a material fashion with the Memorandum, certain actions may be taken by the FDIC or Superintendent which include but are not limited to: (1) finding senior management unqualified to meet the requirements of the Memorandum; (2) issuing an administrative order, such as a Cease and Desist Order which can be judicially enforced; and (3) assessing fines and penalties against the Bank, its officers, and directors.

4) Subsequent Events

In July 1992, the Company entered into a Definitive Agreement to sell Western Sunrise to Harbourton Acquisition Corporation. The sale has been approved by the Board of Directors of Sunrise Bancorp. but it is subject to the completion of due diligence by each party and regulatory approval. Under the terms of the Definitive Agreement, the sales price will be approximately $12,800,000 which will result in an estimated after tax gain of $4,000,000 to the Company. It is anticipated that the transaction will be consummated and recorded in the third quarter of 1992.

The pro forma financial information on the following pages has been prepared to illustrate the effect of removing the operations of Western Sunrise from the Statement of Condition as of June 30, 1992, and the Statements of Operations for the six months ended June 30, 1992 and the year ended December 31, 1991.

Note 4 (continued)

Sunrise Bancorp and Subsidiaries
Pro Forma Condensed Statement of Condition (unaudited)
June 30, 1992

(dollar amounts in thousands)

	Actual June 30, 1992	Pro forma Adjustments	Pro forma June 30, 1992
Assets			
Cash and due from banks	$37,849	($1,184)	$36,665
Interest bearing deposits, fed funds sold, repurchase agreements and investment securities	60,117	–	60,117
Mortgage loans held for sale	47,254	(36,785)	10,469
Net loans	129,919	15	129,934
Premises and equipment and other assets	8,749	(400)	8,349
	$283,888	($38,354)	$245,534
Liabilities and Shareholders' Equity			
Deposit liabilities:			
Noninterest bearing	$155,011	$602	$155,613
Interest bearing	71,782	251	72,033
Total deposit liabilities	226,793	853	227,646
Other borrowings	32,421	(32,421)	–
Other liabilities	2,213	(1,132)	1,081
Total liabilities	261,427	(32,700)	228,727
Common Stock	17,770	(1,100)	16,670
Retained earnings	4,691	(4,554)	137
Total shareholders' equity	22,461	(5,654)	16,807
	$283,888	($38,354)	$245,534

See the notes to the pro forma statements on the following page.

Note 4 (continued)

Sunrise Bancorp and Subsidiaries
Pro Forma Condensed Statements of Operations (unaudited)
For the six months ended June 30, 1992 and the year ended December 31, 1991

(dollar amounts in thousands, except per share data)	Six months ended June 30, 1992			Year ended December 31, 1991		
	Actual	Adjustments	Pro forma	Actual	Adjustments	Pro forma
Interest income	$9,184	($2,117)	$7,067	$21,126	($2,692)	$18,434
Interest expense	3,254	(1,644)	1,610	9,852	(2,407)	7,445
Net interest income	5,930	(473)	5,457	11,274	(285)	10,989
Provision for loan losses	320	–	320	1,250	–	1,250
Loan sales	3,577	(3,577)	–	5,205	(5,098)	107
Other income	792	(401)	391	1,714	(883)	831
Total other income	4,369	(3,978)	391	6,919	(5,981)	938
Salaries and employee benefits	3,718	(1,541)	2,177	6,205	(1,975)	4,230
Other expense	4,404	(1,121)	3,283	7,479	(1,175)	6,304
Total other expense	8,122	(2,662)	5,460	13,684	(3,150)	10,534
Income before income taxes	1,857	(1,789)	68	3,259	(3,116)	143
Tax provision	764	(735)	29	1,339	(1,280)	59
Net income	$1,093	($1,054)	$39	$1,920	($1,836)	$84
Net income per share	$0.27	($0.26)	$0.01	$0.54	($0.52)	$0.02

(1) The adjustments to the Pro Forma Condensed Statement of Condition at June 30, 1992 consist of the elimination of all asset, liability and equity accounts of Western Sunrise including its retained earnings.

(2) The adjustments to the Pro Forma Condensed Statements of Operations consist of the elimination of the income and expenses of Western Sunrise for the six months ended June 30, 1992 and for the year ended December 31, 1991. The adjustments do not include any estimated income derived from the redeployment of capital.

(3) The estimated gain on the sale of Western Sunrise was not included in the adjustments to the Pro Forma Condensed Statements of Operations.

ITEM 2 - MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Although the following discussion concerns the consolidated financial position and results of operations of Sunrise Bancorp and Subsidiaries (the "Company"), the discussion relates primarily to Sunrise Bank of California (the "Bank") and Western Sunrise Mortgage Corporation ("Western Sunrise") as the Company's principal subsidiaries.

Liquidity Management

Liquidity management requires that sufficient cash is available at all times to meet financial commitments. The Company's need for liquidity arises principally from deposit withdrawals, repayment of debt, and increases in loans and other assets. Liquidity of the Company is also affected by the monetary and fiscal policies of the Federal Government. The Company's liquid assets, excluding mortgage loans held for sale in the secondary market, comprised 36.6% and 26.8% of total assets (net of mortgage warehouse debt) at June 30, 1992 and December 31, 1991, respectively. The increase in the liquidity ratio of the Company at June 30, 1992 reflects the high level of overnight investments resulting from a sharp increase in demand deposits at the end of June. Based on average balances for the first half of 1992, the net liquidity ratio was 26.0%. A significant portion of the Company's demand deposits are serviced by the corporate banking group which offers automated banking services to middle market companies, including property management companies, escrow and title companies, healthcare industry companies and other entities which hold large sums as fiduciaries. At June 30, 1992, the ending demand deposits of the corporate banking group, which are principally comprised of accounts from a single entity, totaled $136 million compared to an average balance for the six months of $103 million. Since the deposit levels in the corporate banking group are subject to daily fluctuation, the Bank maintains a significant portion of the corporate banking deposits in short term liquid assets.

In past years, the Bank has partially funded its liquidity needs through the acquisition of time deposits, generally in individual amounts of approximately $100,000, from financial institutions outside of its immediate market area. However, due to the growth in core deposits, the Bank has elected to reduce the level of these time deposits and at June 30, 1992 the Bank did not have any out of area time deposits compared to $37.8 million at June 30, 1991.

Western Sunrise funds its current loan production through the use of a warehouse line of credit with a financial institution. The maximum aggregate commitment under the line of credit is $65 million. Western Sunrise has borrowed $32,421,000 and $40,169,000 under this line of credit as of June 30, 1992 and December 31, 1991, respectively. The Company is a guarantor of a portion of the current credit accommodation. As discussed in Note 4 to the Consolidated Financial Statements, the Company has signed a Definitive Agreement to sell Western Sunrise. In the event that the sale is completed, the Company will no longer maintain the line of credit as a funding source, nor will it be a guarantor on the note. The absence of the line of credit is not expected to have any impact on the liquidity of the Company.

As an additional source of liquidity, the Bank is eligible to borrow funds on an overnight basis from the Federal Reserve Bank of San Francisco. The maximum available advance is dependent upon the dollar total of the Bank's investment securities pledged to collateralize such borrowings. At June 30, 1992, the Bank had investment securities in the aggregate principal amount of $2.6 million eligible for pledging as collateral at the Federal Reserve Bank. The Bank may also borrow funds from investment brokerage firms to the extent that investment securities can be pledged as collateral. The Bank had investment securities with an aggregate principal balance of $10.4 million at the brokerage firms which were available for pledging on June 30, 1992. In order to further enhance its liquidity sources, the Bank has an informal agreement with a major financial institution to borrow up to $5 million in overnight funds.

As a result of industry deregulation, the Bank can vary the rates and, to a limited degree, the terms of the deposits it offers in order to acquire the funds necessary for lending and other operations. The rates paid on these deposits vary, but generally are set at a level competitive with major California banks. The aggregate maturities and interest rate sensitivities of all its investments, loans and deposits are monitored within specific time frames.

Management attempts to adjust the interest rates paid on various rate-sensitive deposits to regulate the volume of such deposits in maturity ranges that correspond to the Bank's needs and interest rate expectations. In developing strategies to attain the goal of minimizing interest rate risk, and maximizing the net interest margin, management considers such external factors as current and projected economic conditions, governmental spending, and monetary policy.

The following table illustrates the cumulative repricing/maturity intervals of all interest earning assets and interest bearing liabilities over several time frames and the cumulative gap at June 30, 1992 and 1991. Interest earning assets include variable rate instruments, which are presented in time frames that correspond to the earlier of initial repricing dates or scheduled principal amortization or maturity dates, and fixed rate instruments, which are presented in time frames that correspond to scheduled principal amortization or maturity dates. All interest bearing liabilities, other than time deposits, carry variable rates of interest that are repricable immediately. Time deposits are presented in time frames that correspond to scheduled maturity dates.

(dollar amounts in thousands)

June 30, 1992	One day	3 months or less	6 months or less	1 year or less	5 years or less	Totals
Interest earning assets:						
Loans (1)	$88,386	$91,796	$99,716	$111,249	$141,859	$179,914
Investment securities	-	3,602	3,602	3,602	11,619	14,028
Federal funds sold and repurchase agreements	45,000	45,000	45,000	45,000	45,000	45,000
Interest bearing deposits	-	1,322	1,322	1,322	1,322	1,322
Total interest earning assets	$133,386	$141,720	$149,640	$161,173	$199,800	$240,264
Percentage of total assets	47.0%	49.9%	52.7%	56.8%	70.4%	84.6%
Interest bearing liabilities:						
Savings accounts	$2,165	$2,165	$2,165	$2,165	$2,165	$2,165
Interest checking accounts	6,199	6,199	6,199	6,199	6,199	6,199
Money market deposit accounts	45,444	45,444	45,444	45,444	45,444	45,444
Time deposits of $100,000 or more	–	3,057	3,676	4,176	4,678	4,678
Other time deposits	–	7,382	9,631	11,044	13,269	13,296
Other borrowings	32,421	32,421	32,421	32,421	32,421	32,421
Total interest bearing liabilities	$86,229	$96,668	$99,536	$101,449	$104,176	$104,203
Percentage of total liabilities	33.0%	37.0%	38.1%	38.8%	39.8%	39.9%
Cumulative gap	$47,157	$45,052	$50,104	$59,724	$95,624	$136,061

June 30, 1991	One day	3 months or less	6 months or less	1 year or less	5 years or less	Totals
Interest earning assets:						
Loans (1)	$117,002	$119,639	$126,110	$140,720	$147,507	$196,934
Investment securities	5,499	6,413	6,413	7,409	15,995	17,978
Federal funds sold and repurchase agreements	72,630	72,630	72,630	72,630	72,630	72,630
Interest bearing deposits	-	3,862	8,719	9,016	9,016	9,016
Total interest earning assets	$195,131	$202,544	$213,872	$229,775	$245,148	$296,558
Percentage of total assets	60.0%	62.2%	65.7%	70.6%	75.3%	91.1%
Interest bearing liabilities:						
Savings accounts	$1,705	$1,705	$1,705	$1,705	$1,705	$1,705
Interest checking accounts	3,551	3,551	3,551	3,551	3,551	3,551
Money market deposit accounts	50,590	50,590	50,590	50,590	50,590	50,590
Time deposits of $100,000 or more	–	20,831	30,165	31,867	32,697	32,697
Other time deposits	–	28,764	35,677	39,986	42,745	42,770
Other borrowings	45,238	45,238	45,238	45,238	45,238	45,238
Total interest bearing liabilities	$101,084	$150,679	$166,926	$172,937	$176,526	$176,551
Percentage of total liabilities	32.9%	49.0%	54.3%	56.3%	57.4%	57.4%
Cumulative gap	$94,047	$51,865	$46,946	$56,838	$68,622	$120,007

(1) Loans include nonaccrual loans and mortgage loans held for sale.

Capital Resources

Capital serves as a source of funds for the acquisition of fixed and other assets, and protects depositors against potential losses. The Company's leverage ratio (Tier 1 capital divided by total average assets) was 8.82% at June 30, 1992 compared to 9.21% at December 31, 1991. The decline in the leverage ratio of the Company was due to growth in average assets from $229.4 million in the fourth quarter of 1991 to $254.7 million in the quarter ended June 30, 1992. During the first six months of 1992, the Company increased its capital base through the retention of earnings and the issuance of common stock through a private offering. Proceeds from the private offering in the amount of $240,000 were received during the first six months of 1992 and the total proceeds generated through the offering as of June 30, 1992 amounted to $1,640,000.

On April 2, 1992, the Company declared a five percent stock dividend receivable by shareholders of record on April 13, 1992. After issuance of the 193,230 shares of common stock for the stock dividend, the total shares of common stock outstanding at June 30, 1992 were 4,060,637.

The following table illustrates various capital ratios of the Company, as compared to current and future regulatory minimums as of June 30, 1992:

	June 30, 1992	Regulatory Minimum
Leverage ratio	8.82%	3.00%
Tier 1 capital to risk-weighted assets	12.55%	3.63% (1)
Total capital to risk-weighted assets	13.73%	7.25% (2)

(1) Effective December 31, 1990 and scheduled to increase to 4.00% on December 31, 1992
(2) Effective December 31, 1990 and scheduled to increase to 8.00% on December 31, 1992

Banking organizations anticipating significant asset growth or which are not highly rated by their primary federal regulators are expected to maintain leverage ratios well in excess of the minimum, at approximately 4% to 5%.

The Bank has entered into a voluntary informal agreement with its regulators under which it has agreed to maintain a minimum adjusted primary capital ratio (equity capital plus loan loss reserves divided by total gross average assets for the quarter under measurement) of 8% effective August 31, 1991. The Bank's primary capital ratio as of June 30, 1992 was 8.71%. The terms of the informal agreement are discussed further in Note 3 to the consolidated financial statements.

The consummation of the sale of Western Sunrise, if finalized, is expected to supplement the capital of the Company. Under the existing terms of the Definitive Agreement the total capital of the Company is expected to increase by approximately $4 million upon closing of the sale. See note 4 to the Consolidated Financial Statements for further discussion of the potential sale of Western Sunrise.

Results of Operations

The Company recorded consolidated net income of $1,093,000 ($.27 per share) during the first half of 1992 compared to $1,277,000 ($.35 per share) during the corresponding period in 1991. The decline in net income during 1992 reflects the impact which the sluggish local real estate economy has had on the Bank's loan portfolio and the higher operating costs to service additional mortgage loan volume and nonperforming loans. The slowdown in the real estate market contributed to the reduction of $522,000 in loan fee income recognized on real estate loans, an increase in interest lost on nonperforming assets of approximately $200,000, and an increase in loan collection costs associated with real estate loans of $216,000 during the first half of 1992. The surge in mortgage loan volume and the Bank's concentration on demand deposit accounts have combined to increase total noninterest expense in 1992 by $2,462,000 (43.5%) over the first six months of 1991. The consolidated net income for the second quarter of 1992 amounted to $706,000 ($.17 per share) compared to $712,000 ($.20 per share) in the second quarter of 1991.

The following table illustrates the net income (loss) of each member of the consolidated group for the three and six months ended June 30, 1992 and 1991:

	Three months ended June 30,		**Six months ended June 30,**	
(dollar amounts in thousands)	1992	1991	1992	1991
Sunrise Bancorp	$(267)	$ (97)	$ (335)	$(147)
Sunrise Bank of California	197	179	374	537
Western Sunrise Mortgage Corporation	776	630	1,054	887
Consolidated net income	$706	$712	$1,093	$1,277

The pending sale of Western Sunrise may have an impact on the future short term earnings of the Company. As shown above, Western Sunrise has contributed significantly to the Company's net income during the last two years. However, the Company plans to utilize the additional capital generated from the sale to provide for the future growth and stability of the Bank. See note 4 to the Consolidated Financial Statements for further discussion of the pending sale of Western Sunrise.

Net interest income, the difference between interest earned on loans and other investments and interest paid on deposits and other borrowings, is the most significant component of the Company's revenues. The Company's net interest income before provision for loan losses was $5,930,000 in the first six months of 1992, a $730,000 (14.0%) increase over the first half of 1991. The increase in net interest income was accomplished through growth in average earning assets of the Company of 18.1%, from $223,175,000 in the first six months of 1991 to $263,619,000 in the first six months of 1992. The net margin of the Company increased slightly in the first half of 1992 to 5.1% from 5.0% in 1991 as the Bank has focused on increasing the level of noninterest bearing demand deposits. During 1992, demand deposits comprised 62.0% of the average deposits compared to only 20.6% in 1991. The positive impact which the changes in deposit mix had on the net interest margin was partially offset by a decline in discount accretion earned on the Bank's real estate loans. In the first half of 1992, discount accretion on real estate loans totaled $271,000 compared to $793,000 in the first half of 1991. The decline in discount accretion during 1992 is a reflection of the significant decrease in the origination of real estate loans which began late in 1990 and has continued during 1992 as the Bank diversifies its loan portfolio. The origination of speculative real estate loans is limited by the informal agreement discussed in Note 3 to the Consolidated Financial Statements. The net interest margin was also negatively impacted by the increased level of nonperforming assets during 1992. The prime rate as published from time to time in the Western edition of the Wall Street Journal averaged 6.50% and 8.95% in the first six months of 1992 and 1991, respectively.

The following table sets forth average assets, major deposit categories, other liabilities and shareholders' equity; interest income earned and interest expense paid; average rates earned and expensed and the net interest margin for the six months ended June 30, 1992 and 1991:

	1992			1991		
(dollar amounts in thousands)	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Assets:						
Interest earning assets:						
Loans (1)	$190,755	$8,211	8.6%	$173,667	$10,060	11.6%
Investment securities	12,668	395	6.2%	8,918	366	8.2%
Federal funds sold and securities purchased under agreements to resell	27,446	548	4.0%	22,884	675	5.9%
Interest bearing deposits	1,280	30	4.7%	4,345	149	6.9%
Total interest earning assets	232,149	$9,184	7.9%	209,814	$11,250	10.8%
Allowance for loan losses	(2,057)			(2,005)		
Cash and due from banks	23,915			9,943		
Premises and equipment and other assets	9,612			5,423		
	$263,619			$223,175		
Liabilities and Shareholders' Equity:						
Interest bearing liabilities:						
Savings accounts	$1,262	$25	4.0%	$1,726	$46	5.3%
Interest checking accounts	7,031	114	3.2%	3,740	79	4.2%
Money market deposit accounts	40,304	781	3.9%	43,299	1,270	5.9%
Time deposits of $100,000 or more	5,515	143	5.2%	37,213	1,365	7.4%
Other time deposits	20,493	549	5.4%	52,259	1,935	7.4%
Other borrowings	44,397	1,642	7.4%	28,551	1,355	9.5%
Total interest bearing liabilities	119,002	3,254	5.5%	166,788	6,050	7.3%
Demand deposits	121,646			35,815		
Other liabilities	1,176			2,901		
Total liabilities	241,824			205,504		
Shareholders' equity	21,795			17,671		
	$263,619			$223,175		
Net interest income and margin (2)		$5,930	5.1%		$5,200	5.0%

(1) Average loans include nonaccrual loans and mortgage loans held for sale.

(2) Net interest margin is computed by dividing net interest income by total average interest earning assets and is annualized.

The following table shows the approximate effect on net interest income of volume and rate changes for the six months ended June 30, 1992 and 1991. Changes which are the combined result of volume and rate changes are allocated in proportion to the volume and rate changes.

(dollar amounts in thousands)	1992 vs. 1991		
	Volume	Rate	Total
Increase (decrease) in interest income:			
Loans	$929	($2,778)	($1,849)
Investment securities	131	(102)	29
Federal funds sold	119	(246)	(127)
Interest bearing deposits	122	(241)	(119)
	1,301	(3,367)	(2,066)
Increase (decrease) in interest expense:			
Savings accounts	(11)	(10)	(21)
Interest checking accounts	57	(22)	35
Money market deposit accounts	(82)	(407)	(489)
Time deposits of $100,000 or more	(908)	(314)	(1,222)
Other time deposits	(951)	(435)	(1,386)
Other borrowings	638	(351)	287
	(1,257)	(1,539)	(2,796)
Change in net interest income	$2,558	($1,828)	$730

Net loan chargeoffs totaled $382,000 in the first half of 1992 compared to $580,000 in the first half of 1991. The allowance for loan losses as a percentage of outstanding loans (excluding mortgage loans held for sale) was 1.60% at June 30, 1992, 1.72% at December 31, 1991, and 1.52% at June 30, 1991.

The following table sets forth certain information concerning nonaccrual, past due, and restructured loans and other real estate owned:

(dollar amounts in thousands)	June 30, 1992	December 31, 1991	June 30, 1991
Nonaccrual loans	$5,532	$3,310	$3,895
Restructured loans	1,194	–	–
Accruing loans past due 90 days or more	2	515	15
	6,728	3,825	3,910
In-substance foreclosures	221	2,353	2,840
Other real estate owned (excluding in-substance foreclosures)	2,434	5,182	–
	$9,383	$11,360	$6,750
Percentage of average assets	3.56%	4.95%	3.02%

The Bank experienced a significant increase in nonperforming assets during 1991 as a result of the slowdown of the local real estate market. During 1992, the Bank has succeeded in reducing the level of nonperforming assets through the disposition of real estate owned and payoffs of nonaccrual loans. The majority of the nonaccrual loans at June 30, 1992 are secured by real estate, primarily consisting of single family residential homes. For further discussion of reduction of nonperforming and criticized assets, see Note 3 to the Consolidated Financial Statements.

The majority of the nonearning assets originated from speculative real estate acquisition, development, and construction loans. During the last two years, the Bank has substantially reduced the origination volume of real estate construction loans in an effort to minimize its concentration of risk and diversify its loan portfolio. The level of speculative real estate loans at the Bank has declined from $83 million and 59% of total loans at December 31, 1990 to $20 million and 15% of total loans at June 30, 1992. The Bank plans to continue to reduce the outstanding balance of speculative real estate loans by pursuing payoffs and limiting the origination of these types of loans. For additional discussion of the reduction of speculative acquisition, development and construction loans, see Note 3 to the Consolidated Financial Statements.

Management is of the opinion that the allowance for loan losses is maintained at an adequate level for known and anticipated future risks inherent in the loan portfolio. However, the California economy has shown signs of weakness since the third quarter of 1990, through 1991 and into 1992, and the Bank's loan portfolio, which includes approximately $64 million in real estate loans representing approximately 50% of the portfolio, could be adversely affected if California economic conditions and the real estate market in the Bank's market area continue to weaken. The effect of such events, although uncertain at this time, could result in an increase in the level of nonperforming loans and the level of the allowance for loan losses which could adversely affect the Company's and the Bank's future growth and profitability and its compliance with the terms of the Memorandum of Understanding discussed in Note 3 to the Consolidated Financial Statements.

Other income increased $1,041,000 (31.3%) in the first half of 1992 and $571,000 (25.1%) in the second quarter of 1992 as compared to the corresponding periods in 1991. Other income is produced primarily by the operations of Western Sunrise in the form of gains on loan sales and servicing fees on mortgage loans. The mortgage operations have continued to benefit from a favorable interest rate environment which has encouraged the refinancing of existing mortgage loans. Western Sunrise sold $456.2 million in mortgage loans resulting in an increase in gains on loan sales of $1,529,000 in the first six months of 1992 and sold $255.5 million in loans resulting in an increase in gains of $1,089,000 in the second quarter of 1992.

The following table sets forth certain financial information concerning the consolidated mortgage banking operations of the Company during the three and six months ended June 30, 1992 and 1991:

	Three months ended June 30,		Six months ended June 30,	
(dollars amounts in thousands)	1992	1991	1992	1991
Total mortgage loan fundings	$218,646	$158,516	$455,157	$252,318
Total mortgage loan sales	$255,489	$145,308	$456,159	$231,358
Total gains on mortgage loan sales	$2,427	$1,329	$3,577	$2,039

Service charges and fees include loan servicing fees, service charges on deposit accounts, and other customer service fees. An increase in fees derived from the Company's mortgage loan servicing portfolio provided the increase in service charges and fee income in the first half and second quarter of 1992 as compared to the same periods in 1991. The servicing portfolio totaled $578.0 million and $346.9 million at June 30, 1992 and 1991, respectively. A loss on sale of investment securities of $41,000 resulted from the final disposition in January of the government securities mutual funds purchased by the Bank in 1987.

Salaries and employee benefits expense for the Company increased $755,000 (22.1%) and $362,000 (22.1%) for the six and three months ended June 30, 1992. The growth in employee expense resulted from the strong demand for mortgage loans during the first half of 1991. The full-time equivalent employees at Western Sunrise increased from 70 in June 1991 to 112 in June 1992 in response to the additional mortgage loan demand and compensation tied to mortgage loan volume increased along with the loan fundings.

In the first six months of 1992, occupancy expense and equipment expense increased by $185,000 (30.5%) and $157,000 (45.0%), respectively. The additional occupancy expense related to the rental of office space in Rancho Cordova and Walnut Creek to accommodate the expansion of Western Sunrise operations and the amortization of improvements made to the Bank operations facility. The increased equipment expense is attributable to depreciation of upgrades and enhancements made to the Company's banking and mortgage servicing data processing environment during the second half of 1991.

During 1992, other expenses increased $1,365,000 (78.4%) in comparison to the first half of 1991 and $628,000 (56.5%) in comparison to the second quarter of 1991. The components of other expenses are provided below for the second quarter and the first half of 1992 and 1991:

	Three months ended June 30,		Six months ended June 30,	
	1992	1991	1992	1991
Stationery and supplies	$124	$118	$211	$208
Communications	188	106	355	212
Professional fees	287	129	425	233
Deposit insurance assessments	113	90	226	168
Outside service fees	244	177	791	272
Data processing and correspondent fees	117	24	192	50
Insurance premiums	188	52	91	75
Loan collection and OREO expense	52	50	291	75
Litigation reserves	80	180	80	180
Advertising and marketing	62	37	116	74
Other	285	149	329	195
	$1,740	$1,112	$3,107	$1,742

The principal reasons for the increase in other expenses were fees paid to outside vendors to perform banking services for Bank customers and additional loan collection costs related to nonperforming loans. Other outside service fees include amounts paid to outside vendors to provide accounting, data processing, courier and other deposit related services provided to Bank customers primarily in the real estate related services industry. These costs are incurred by the Bank in relation to the volume of noninterest bearing deposits maintained by such customers as well as the profitability of each customer relationship.

PART II OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The discussion of legal proceedings and claims with regard to pension accounts set forth in Note 2 to the Consolidated Financial Statements included in this Report is hereby incorporated by reference.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) No exhibits required.

(b) One report on Form 8-K was filed during the three months ended June 30, 1992, as described below:

  1) Report on Form 8-K dated April 22, 1992 regarding the letter of intent entered into by the Company to sell Western Sunrise Mortgage Corporation.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUNRISE BANCORP

Date: August 13, 1992

/s/ James E. Beckwith
James E. Beckwith
Senior Vice President and Chief Financial Officer
(Signing on behalf of the registrant and as principal financial officer and chief accounting officer).

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15 (d)
of the
Securities and Exchange Act of 1934

r 31-92

For the Three Months Ended
January 31, 1992

Commission File Number 33-4734-D

PACE GROUP INTERNATIONAL, INC.
Registrant

AN OREGON CORPORATION
(State of Incorporation)

93-0950786
(Federal I.D. No.)

2020 SW Fourth Avenue
Portland, Oregon 97201
TELEPHONE: (503) 226-7223

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15 (d)
of the
Securities and Exchange Act of 1934

For Three Months Ended
January 31, 1992

Commission File Number
33-4734-D

PACE GROUP INTERNATIONAL INC.
(Exact Name of Registrant as Specified in its Charter)

OREGON
(State of Incorporation)

93-095078
(Federal I.D. Number)

2020 SW Fourth Avenue, Portland, OR
(Address of Principal Executive Offices)

97201
(Zip Code)

(503) 226-7223
(Registrants Telephone Number)

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Act of 1934 during the preceding 12 months (or for the shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ✓ NO ____

The number of shares outstanding of each of the Issuer's classes of Common Shares, as of the latest practicable date:

$.0001 Par Value
Common Shares
(Class of Securities)

5,800,531 Common Shares
Outstanding at January 31, 1992
(Outstanding Securities)

PACE GROUP INTERNATIONAL, INC.

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PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

PART I: FINANCIAL INFORMATION

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

CONDENSED BALANCE SHEETS

CURRENT ASSETS	January 31, 1992 (Unaudited)	October 31, 1991 (Audited)
Cash	$ 64,311	$ 33,577
Accounts receivable (Net)	299,035	269,704
Other Receivables	- 0 -	5,000
Other	8,823	11,789
TOTAL CURRENT ASSETS	372,169	320,070
Property and equipment at cost	2,922,920	2,915,197
Less accumulated depreciation and amortization	<2,591,850>	< 2,560,299 >
NET PROPERTY	331,070	354,898
Inventory	137,437	138,895
Capitalized production costs	877,475	883,119
Deposits and other assets	21,820	17,720
TOTAL ASSETS	$ 1,739,971	$ 1,714,702

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	January 31, 1992 (Unaudited)	October 31, 1991 (Audited)
Accounts Payable	$ 62,540	$ 74,140
Accrued Liabilities	101,440	137,446
Current Portion of L/T Debt	488,009	526,982
Current Portion of Deferred Revenues	106,154	119,860
TOTAL CURRENT LIABILITIES	758,143	858,428
Long-Term Debt	549,771	450,722
Production cost advances from investors	525,000	525,000
Deferred Revenues, etc.	165,000	165,000
Commitments and contingencies		
TOTAL LIABILITIES	1,997,914	1,999,150
STOCKHOLDERS' EQUITY		
Common Stock	580	580
Paid-In Capital	543,580	543,580
Retained Earnings < Deficit >	< 828,608 >	< 828,608 >
Current Year's Earnings	26,505	
TOTAL STOCKHOLDERS' EQUITY	< 257,943>	< 284,448>
TOTAL	$ 1,739,971	$ 1,714,702

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

CONDENSED STATEMENTS OF OPERATIONS

For the Three Months Ended January 31, 1992
and
For the Three Months Ended January 31, 1991
(unaudited)

REVENUES	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Sales of products, services, and royalties	$ 318,202	$ 770,502
Less: Operating costs	< 191,235 >	< 409,112 >
GROSS PROFIT	126,967	361,390
EXPENSES		
Marketing	18,586	21,742
General administration	110,818	90,826
TOTAL	129,404	112,568
OPERATING <LOSS>/GAIN	< 2,437 >	248,822
OTHER INCOME (EXPENSES):		
Interest expense (net)	< 15,554 >	<20,012>
<LOSS>/GAIN	$ <17,991>	$ 228,810
Extraordinary Income:		
Gain on Debt Restructure	44,496	-0-
Income before provision for income taxes	$ 26,505	$ 228,810
Provision for income taxes	< 6,336>	<124,102>
Income before extraordinary item	$ 20,169	$ 104,708
Extraordinary item:		
Tax benefit resulting from use of net operating loss carryforward	6,336	124,102
Net income	$ 26,505	$ 228,810
Net income per share:		
Income before extraordinary item	$ .004	$ .018
Extraordinary item:		
Tax benefit resulting from use of net operating loss carryforward	.001	.021
Net income per share	$ .005	$ .039

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Three Months Ended January 31, 1992
and
For the Three Months Ended January 31, 1991
(unaudited)

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
CURRENT STOCK		
Balance at November 1	$ 580	$ 580
Issuance of stock	-0-	-0-
Balance at January 31	580	580
ADDITIONAL PAID-IN CAPITAL		
Balance at November 1	543,580	543,580
Paid in	-0-	-0-
Balance at January 31	543,580	543,580
RETAINED EARNINGS < DEFICIT >		
Balance at November 1	< 828,608 >	< 1,080,476 >
Net gain for the period	26,505	228,810
Balance at January 31	< 802,103 >	< 851,666 >
TOTAL STOCKHOLDERS' EQUITY	$ < 257,943 >	$ < 307,506 >

See accompanying notes.

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the Three Months Ended January 31, 1992 and January 31, 1991

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	$ 26,505	$ 228,810
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,551	30,332
< Increase > decrease in:		
Accounts receivable	<24,331>	77,285
Inventory	-0-	246
Other assets	2,966	3,148
Increase < decrease > in:		
Accounts payable	<11,600>	<37,689>
Accrued liabilities	<36,006>	<18,187>
Current portion—long-term debt	<38,973>	<89,829>
Deferred revenue	<13,706>	-0-
Net cash provided by operating activities	<63,594 >	194,116
Cash flows from investing activities:		
Purchase of equipment	<7,723>	<6,931>
Decrease of capitalized production costs	5,644	86,004
Decrease in inventory	1,458	1,342
<Increase>/decrease in other assets	< 4,100 >	12
Net cash (used) provided by investing activities	< 4,721 >	80,427
Cash flows from financing activities:		
Long-term debt—proceeds	250,000	-0-
Principal payments on long-term debt	<150,951>	<31,091>
Net cash provided (used) by finance activities	99,049	<31,091>
Net increase in cash	30,734	243,452
Cash at beginning of period	33,577	32,143
Cash at end of period	$ 64,311	$ 275,595

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

January 31, 1992

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
January 31, 1992

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company consists of Pace Group International, Inc. and its wholly-owned subsidiary, Pace International Research, Inc. The two principal activities of the company consist of (1) authoring, publishing, printing, and distribution to a worldwide market of English-langage-training (ELT) materials and (2) furnishing video post-production services for commercial, industrial, and entertainment enterprises, as well as utilizing those services for production of its own ELT programs.

Since the company is now publishing its own material, it is now accounting for inventories kept at various locations. The costs of video production materials for its own use and for product sales are capitalized as incurred. Such costs are amortized over the estimated revenue-producing time deemed appropriate for the subject-matter contents in relation to the revenue received from the sales of the materials.

On August 5, 1988, Pace International Research, Inc. (PIR), the Company's wholly-owned subsidiary, entered into voluntary bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the District of Oregon. It filed its disclosure statement and plan of reorganization on December 5, 1988. The court approved the plan of reorganization, which became effective July 23, 1989.

In September 1991 the Company entered into an agreement with YBM, Inc. for the marketing of Company products in the U.S. and Latin America. This agreement provides that the Company pay a commission to YBM, Inc. on all related sales. YBM, Inc. is headquartered in the Company's offices. YBM, Inc. reimburses the Company for certain costs associated with use of Company offices including accounting and related functions.

Note 2: CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements are furnished pursuant to the Securities and Exchange Commission, Regulation S-X. In the opinion of management, all adjustments necessary for fair presentation have been included. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Form 10-K for the period ended October 31, 1991.

Note 3: RELATED PARTY TRANSACTIONS

A substantial portion of debt due to the board chairman and major shareholder of almost $354,000 is included in the long-term debt portion of the balance sheet. Accrual of most of the interest on the notes has been suspended for the past three years as at present.

Note 4: PROFIT-SHARING ARRANGEMENTS

Profit-sharing arrangements entered into with two parties, who invested $525,000, the details of which were previously reported in the Form 10–K filed on January 29, 1988 and incorporated herein by reference, still remain in effect. The ultimate results of this arrangement is indeterminable at this time. No profit has been generated from the limited sales of the products.

PACE GROUP INTERNATIONAL, INC.
and its wholly-owned subsidiary
PACE INTERNATIONAL RESEARCH, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

January 31, 1992

LIQUIDITY AND CAPITAL RESOURCES

The investment required for a state-of-the-art video post-production studio is substantial. Because of the lack of readily available capital, much of the equipment used in the video facility was acquired on capital leases which have been paid. Production of English-language-training materials also requires a substantial investment before an income stream begins to flow from sales and licensing of such production. Consequently, the Company's working capital continues to be strained, notwithstanding the relief granted by the Chapter 11 proceedings.

By reason of the foregoing, and as stated in the notes to the financial statements, the financial condition of the Company continues to be precarious. Being under the protection of Chapter 11 enabled the Company to carry on with careful financial management. A substantial portion of cash used for current operations is provided by the video post-production studio. Working capital at January 31, 1992 was negative $385,974 as compared with a negative $538,358 at October 31, 1991.

Certain items of video equipment were declared surplus and sold. The Company continues to seek buyers for some selected items. Video equipment, previously being rented, was purchased in July 1991 costing approximately $133,000. Payment for said equipment will be made in 36 monthly installments and the Company's savings in rental expenses will be substantial.

A substantial portion of capitalized production costs at January 31, 1992 and 1991 related to products which have experienced limited sales. The Company is in the process, through an agreement with YBM, Inc., to establish distribution channels to market its products.

In some instances modifications to existing productions may be made for a particular market segment, such as another language, territory, licensee, etc. In some instances where the amount expended for the modification is meaningful, the costs are capitalized and amortized in relation to sales for that particular product or market segment.

In November 1991, the Company obtained a $250,000, 10.75%, loan from YBM, Inc. which is to be repaid in 25 equal monthly installments including interest. The Company is also attempting to obtain financing from other sources.

RESULTS OF OPERATIONS

Gross revenues for the the three months ended January 31, 1992, were about $452,000 less than for the same period in 1991. While post-production fee income was about $50,000 greater at January 31, 1992 than at January 31, 1991, a one-time $500,000 sale of the right to produce and sell products of the Company to an Asiatic firm with whom the Company has done business for many years was recognized in the first quarter 1991.

Operating costs were approximately $218,000 less at January 31, 1992 than in 1991, mostly by reason of extraordinary costs associated with the aforementioned $500,000 sale, to-wit: foreign taxes of $94,000 and amortization of capitalized production costs of about $133,000. While direct labor costs were about $27,000 less for the three month period ending January 31, 1992, than in 1991, due to a reduction in staff, sub-contractor expenses were about $10,000 more in 1992 than in 1991. Outside rentals were approximately $12,000 less at January 31, 1992 than in 1991 due to the cancellation of an equipment rental agreement.

Marketing expenses were approximately the same for the quarters ending January 31, 1992 and 1991; however, direct labor costs and advertising expenses decreased by about $3,000 in 1992.

General administration costs were about $20,000 higher at January 31, 1992 than in 1991, due mainly to increased direct labor costs of approximately $12,000 and professional fees of approximately $14,000.

Interest expense was about $4,000 less than that of the prior period in 1991 due to continued debt reduction.

In November 1991, upon obtaining a loan for $250,000, the Company entered into negotiations with the remaining creditors under Classes 4 and 13, pursuant to the Plan of Reorganization, and negotiated discounted cash settlements with certain of the creditors in full satisfaction of principal and interest due. Debts totalling $127,915 were settled for $83,419, resulting in a savings to the Company of $44,496, which gain is recognized as extraordinary income (see Condensed Statements of Operations).

PART II: OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K:

No reports on form 8-K were filed during the period October 31, 1991 to January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto authorized.

PACE GROUP INTERNATIONAL, INC.

Edwin T Cornelius, Jr

Edwin T. Cornelius, Jr., Chairman

May 27, 1992

Date

Marlys V. Matala

Marlys V. Matala, Controller

May 27, 1992

Date

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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St. Petersburg, FL

FORM 10-Q

92-2240

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 1992

or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 0-17389

TEJAS GAS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation)	76-0263364 (I.R.S. Employer Identification No.)
1301 McKinney, Suite 700 Houston, Texas (Address of principal executive offices)	77010 (Zip Code)

(713) 658-0509
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

As of July 31, 1992, Tejas Gas Corporation had 6,853,065 shares of common stock, par value $.25 per share, outstanding.

TEJAS GAS CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements of Tejas Gas Corporation ("Tejas") included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that these financial statements be read in conjunction with the audited financial statements and the notes thereto included in Tejas' Annual Report on Form 10-K for the year ended December 31, 1991.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented have been included in the accompanying financial statements.

Because of the seasonal nature of Tejas' operations, among other factors, the results of operations for the interim periods presented are not necessarily indicative of the results to be expected for an entire year.

TEJAS GAS CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 1992	December 31, 1991
	(in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,443	$ 12,451
Accounts receivable	52,829	59,378
Exchange gas receivable	8,155	2,413
Prepaid expenses	1,376	1,143
Total current assets	66,803	75,385
Property, Plant and Equipment	429,414	422,213
Less accumulated depreciation	88,532	79,675
Property, plant and equipment, net	340,882	342,538
Goodwill, net	11,912	12,146
Investments in Unconsolidated Entities	13,906	3,883
Other Assets	4,529	5,239
Total	$ 438,032	$ 439,191
Liabilities and Stockholders' Equity		
Current Liabilities:		
Gas purchases payable	$ 47,465	$ 59,251
Exchange gas payable	10,234	3,308
Accounts payable	5,210	3,587
Accrued liabilities	7,918	9,605
Income taxes payable	247	1,109
Current installments of long-term debt	-	-
Total current liabilities	71,074	76,860
Other Liabilities	2,580	3,122
Long-Term Debt	224,965	224,965
Deferred Income Taxes	19,159	18,303
Commitments and Contingencies	-	-
Stockholders' Equity:		
Preferred Stock, $1 par value; 1,000,000 shares authorized	-	-
Common Stock, $.25 par value; 15,000,000 shares authorized; 6,841,349 shares issued and outstanding	1,710	1,710
Capital surplus	29,420	29,415
Retained earnings	89,124	84,816
Total stockholders' equity	120,254	115,941
Total	$ 438,032	$ 439,191

TEJAS GAS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
	(in thousands, except per share amounts)			
Gas Systems Revenues	$ 114,253	$ 102,280	$ 216,111	$ 218,570
Costs and Expenses:				
Cost of sales	96,549	83,574	178,572	180,510
Operating expenses	2,969	3,345	5,961	6,700
Depreciation and amortization	4,648	4,595	9,281	9,168
General and administrative	3,244	3,029	6,487	6,224
Total	107,410	94,543	200,301	202,602
Earnings From Operations	6,843	7,737	15,810	15,968
Other Income (Expense):				
Equity in earnings of unconsolidated entities	267	-	512	-
Interest income	137	236	328	604
Interest expense	(4,912)	(5,904)	(10,117)	(12,003)
Other, net	46	7	122	17
Total	(4,462)	(5,661)	(9,155)	(11,382)
Earnings Before Income Taxes	2,381	2,076	6,655	4,586
Income Taxes:				
Current	573	415	1,491	916
Deferred	192	345	856	734
Total	765	760	2,347	1,650
Net Earnings Before Cumulative Effect of Accounting Change	1,616	1,316	4,308	2,936
Cumulative Effect of Accounting Change	-	-	-	2,290
Net Earnings	$ 1,616	$ 1,316	$ 4,308	$ 5,226
Weighted Average Number of Common Shares Outstanding	7,021	7,020	7,014	7,014
Earnings Per Common Share:				
Before Cumulative Effect of Accounting Change	$ 0.23	$ 0.19	$ 0.61	$ 0.42
Cumulative Effect of Accounting Change	-	-	-	0.33
Total	$ 0.23	$ 0.19	$ 0.61	$ 0.75

TEJAS GAS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Six Months Ended June 30,	1992	1991
	(in thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 4,308	$ 5,226
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	9,281	9,168
(Gain) loss from sales of assets	(63)	(1)
Deferred income taxes	856	734
Amortization of deferred loan costs	332	876
Cumulative effect of accounting change	-	(2,290)
Equity in earnings of unconsolidated entity	(512)	-
Distributions from unconsolidated entity	688	-
Changes in current assets and current liabilities:		
(Increase) decrease in -		
Accounts receivable and exchange gas receivable	807	22,235
Prepaid expenses	(233)	(1,222)
Increase (decrease) in -		
Gas purchases payable, exchange gas payable, and accounts payable	(3,237)	(44,270)
Accrued liabilities	(1,673)	(1,091)
Income taxes payable	(862)	142
Net cash provided by (used in) operating activities	9,692	(10,493)
Cash Flows From Investing Activities:		
Capital expenditures	(7,532)	(3,974)
Proceeds from sales of assets	204	89
Investments in unconsolidated entities	(10,199)	-
Deposit for GCNGC	1,500	-
Other, net	(1,064)	460
Net cash used in investing activities	(17,091)	(3,425)
Cash Flows From Financing Activities:		
Purchase of treasury stock	(9)	(36)
Exercise of stock options	-	1
Proceeds from issuance of long-term debt	13,500	-
Retirement of long-term debt	(13,500)	(13,601)
Debt issuance costs incurred	(600)	(152)
Net cash used in financing activities	(609)	(13,788)
Net Decrease in Cash and Cash Equivalents	(8,008)	(27,706)
Cash and Cash Equivalents at Beginning of Period	12,451	29,387
Cash and Cash Equivalents at End of Period	$ 4,443	$ 1,681

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

A summary of natural gas average daily throughput in millions of cubic feet is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
System sales	619	627	596	635
Transportation	376	471	405	474
Total system throughput	995	1,098	1,001	1,109
Off-system sales	70	51	78	56
Gas processed	74	71	76	73
Total throughput	1,139	1,220	1,155	1,238

Sales and transportation of natural gas through its own natural gas pipeline systems is Tejas' core business. Mild winter and summer weather during the first and second quarters, respectively, in Tejas' area of operations reduced demand for natural gas. As a result, total system throughput decreased by approximately 10% during the quarter and six months ended June 30, 1992 as compared to the comparable periods in 1991. In addition to the throughput reflected in the above table, Gulf Coast Natural Gas Company ("GCNGC"), a new natural gas pipeline partnership operated by and owned in part by Tejas, had an average throughput of 119 million cubic feet per day ("MMCF/D") and 124 MMCF/D during the first six months and second quarter of 1992, respectively.

Revenues for the first six months of 1992 decreased to $216.1 million as compared to $218.6 million during the first six months of 1991, primarily as a result of reduced volumes and low prices for natural gas during the first quarter of 1992. Revenues for the second quarter increased to $114.3 million as compared to $102.3 million for the second quarter of 1991 as prices for natural gas were significantly higher in the 1992 period.

Tejas' net earnings for the first six months of 1992 were $4.3 million as compared to $2.9 million for the first six months of 1991, before the cumulative effect of an accounting change, and $5.3 million for such period in 1991, after including the $2.3 million increase in net earnings resulting from a change in accounting for income taxes pursuant to the requirements of Financial Accounting Standards Board Statement No. 96. Tejas' net earnings for the second quarter of 1992 were $1.6 million, as compared to $1.3 million during the second quarter of 1991.

Tejas' earnings from operations for the six months and quarter ended June 30, 1992 reflected decreases from the comparable periods in 1991. Reduced systems throughput for the first six months and second quarter of 1992, partially offset by increased earnings from Tejas' natural gas processing operations, resulted in decreases in gross profit (revenues less cost of sales) of $0.5 million and $1.0 million, respectively, when compared to the same periods in 1991. Decreases in operating expenses and interest expense, together with Tejas' share of earnings of GCNGC, more than offset the decreases in gross profit, resulting in increases in net earnings, before accounting change, of $1.4 million and $0.3 million for the six months and second quarter of 1992, respectively. Interest expense was lower in both 1992 periods due primarily to lower average outstanding debt balances and lower interest rates.

Capital Resources, Liquidity and Outlook

As set forth in the Consolidated Statements of Cash Flows, net cash provided by operating activities totaled $9.7 million for the first six months of 1992 compared to net cash used of $10.5 million for the same period in 1991. This increase in net cash provided by operations is due principally to the timing of cash receipts and payments, together with the $1.4 million increase in net earnings before the accounting change.

During the first six months of 1992, net cash used in investing activities totaled $17.1 million for capital expenditures and other investing activities. Capital expenditures totaled $7.5 million, of which $6.0 million was related to the construction of a natural gas storage cavern near Napoleonville, Louisiana. Additional expenditures of $5.0 million are planned during 1992 to complete the storage cavern. During the first six months of 1992, Tejas invested $4.7 million in GCNGC, which included $0.5 million for working capital requirements, and $5.5 million in Evangeline Gas Pipeline Company, L.P. ("Evangeline"), two unconsolidated entities. A deposit of $1.5 million related to GCNGC was returned to Tejas in January 1992. Tejas plans to invest an additional $15.9 million in GCNGC by the end of January 1993.

At June 30, 1992, Tejas' long-term debt with banks, including current installments, totaled $211.6 million consisting of $102.5 million borrowed under a $140 million revolving credit facility and $109.1 million borrowed under a $120 million reducing revolving credit facility. In addition, Tejas had $13.4 million in notes payable related to industrial development revenue bonds.

Under the terms of Tejas' $140 million revolving credit facility, balances outstanding on September 30, 1993 will convert to a term loan requiring repayment in 24 quarterly installments with the first installment due December 31, 1993. Based on total borrowings at June 30, 1992 and due to certain financial ratio limitations, Tejas has additional borrowings available under this revolving credit facility of $29.1 million, of which $10.0 million is restricted until completion of certain pipeline facilities by Evangeline.

Under the terms of Tejas' $120 million reducing revolving credit facility, the commitment will begin to reduce quarterly with the first commitment reduction beginning March 31, 1993 to final maturity on December 30, 1999. Based on total borrowings at June 30, 1992, additional borrowings of $10.9 million are available under this credit line.

Although Tejas has additional borrowings available under its revolving credit facilities, its liquidity is ultimately dependent on cash generated by operations. Tejas believes its earnings from operations will generate sufficient cash to complete its planned expansion projects and make required debt payments in the future. No principal payments are scheduled until 1993. However, Tejas' credit facilities are subject to certain covenants, including the maintenance of certain financial ratios, with which Tejas expects to be able to comply in the ordinary course of business.

The profitability of Tejas' natural gas pipeline operations, particularly for short-term natural gas sales, will continue to be affected by the balance of supply and demand for natural gas. Weather conditions in the first half of 1992 resulted in reduced volumes and relatively low margins for short-term sales and a decrease in low margin transport volumes. Tejas' management does not expect that a continuance of such market conditions will impair Tejas' ability to comply with its debt covenants or complete planned expansion projects. At the end of 1991, Tejas obtained several long-term natural gas sales contracts with major electric utilities, other suppliers to electric utilities and with local distribution companies at margins substantially higher than those for short-term sales. Although Tejas will realize some incremental earnings from these agreements in the second half of 1992, significant economic benefits from these contracts are expected to begin in 1993. This increase in long-term business with stable volumes and established margins should reduce Tejas' susceptibility to short-term market fluctuations and, thereby, increase the predictability of future earnings. Tejas plans to continue increasing the utilization of its assets to meet the supply requirements of such customers and to obtain additional long-term sales contracts.

PART II. OTHER INFORMATION

Item 4. **Submission of Matters to a Vote of Security Holders**

The registrant's annual meeting was held on May 14, 1992, at which time the stockholders elected directors, approved the adoption of the Director Stock Option Plan ("Plan") and ratified the appointment of auditors as proposed in the proxy solicitation issued pursuant to Regulation 14 of the Securities Exchange Act of 1934. Of the 3,853,749 shares of common stock present in person or represented by proxy at the meeting, 3,499,006 shares voted in favor of the Plan, 354,681 shares voted against the Plan and 62 shares abstained from voting.

Item 6. **Exhibits and Reports on Form 8-K**

(a) Exhibits

11.1 Computation of Earnings per Common Share

(b) Reports on Form 8-K

A Form 8-K dated June 17, 1992 was filed during the second quarter ended June 30, 1992 with regard to the execution of a long-term lease for a storage cavern.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEJAS GAS CORPORATION
(Registrant)

By: /s/ M. D. McNEIL
M. D. McNeil
Executive Vice President - Finance
and Treasurer, and in my capacity
as Principal Financial Officer

Date: August 13, 1992

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Q-35273

R92-2240

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the quarterly period ended: June 30, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ________ to ________.

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Corporation
St. Petersburg, FL

Commission file number: 1-10795

TAJ MAHAL HOLDING CORP.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

13-3598656
(I.R.S. Employer Identification No.)

1000 The Boardwalk
Atlantic City, New Jersey
(Address of principal executive offices)

08401
(Zip Code)

(609) 449-5540
Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes__ No__. Not applicable.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of August 12, 1992, the number of shares outstanding of the Registrant's (i) Class A Common Stock was 1,350,000, (ii) Class B Redeemable Common Stock was 738,302 and (iii) Class C Common Stock was 1,350,000.

TAJ MAHAL HOLDING CORP.
TRUMP TAJ MAHAL ASSOCIATES AND SUBSIDIARY
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TAJ MAHAL HOLDING CORP.
BALANCE SHEETS

ASSETS (Note 3)

	June 30, 1992 (unaudited)	December 31, 1991
Cash	$100	$100
Total assets	$100	$100

STOCKHOLDERS' EQUITY (Notes 1 and 2)

	June 30, 1992 (unaudited)	December 31, 1991
Class A Common Stock; no par value; 10,000,000 shares authorized, 1,350,000 issued	$ 40	$ 40
Class B Common Stock; no par value; 860,000 shares authorized, 738,302 issued at June 30, 1992 and 729,458 issued at December 31, 1991	20	20
Class C Common Stock; no par value; 10,000,000 shares authorized, 1,350,000 issued	40	40
Total Stockholders' equity	$100	$100

The accompanying notes to financial statements
are an integral part of these statements

TAJ MAHAL HOLDING CORP.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30, 1992	Six months ended June 30, 1992
Revenue	$ -	$ -
Expenses - Director fees, insurance and related expenses	513,000	914,000
Net loss	$ (513,000)	$ (914,000)
Net loss per common share (Note 3)	$ (.38)	$ (.68)

The accompanying notes to financial statements are an integral part of these statements

TAJ MAHAL HOLDING CORP.
STATEMENT OF CAPITAL
(unaudited)

	Contributed Capital	Accumulated Surplus (Deficit)	Total Capital (Deficit)
Balance, December 31, 1991	$ 100	$ -	$ 100
Distribution from Partnership	-	914,000	914,000
Net loss for the six months ended June 30, 1992	-	(914,000)	(914,000)
Balance, June 30 1992	$ 100	$ -	$ 100

The accompanying notes to financial statements are an integral part of this statement

TAJ MAHAL HOLDING CORP.
STATEMENT OF CASH FLOWS
(unaudited)

	For the six months ended June 30, 1992
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss - Net cash flows used in operating activities	$(914,000)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partnership distribution	914,000
NET INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	-
CASH AND CASH INVESTMENTS BEGINNING OF PERIOD	100
CASH AND CASH INVESTMENTS END OF PERIOD	$ 100

The accompanying notes to financial statements
are an integral part of this statement

TAJ MAHAL HOLDING CORP.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

1. Organization:

Taj Mahal Holding Corp. ("Holding") was organized on December 18, 1990 as a Delaware corporation wholly owned by Donald J. Trump. As described below, Holding was formed for the purpose of consummating a plan of reorganization (the "Plan") involving Trump Taj Mahal Associates, a New Jersey general partnership (the "Partnership") which operates the Trump Taj Mahal Casino Resort and Trump Taj Mahal Funding, Inc., a New Jersey corporation that raised funds for the Partnership (the "Company"). Prior to the consummation of the Plan, both the Partnership and the Company were owned by Donald J. Trump and affiliated entities.

Holding has no business operations other than its investment in the Partnership. As a result, its ability to pay operating expenses and dividends is completely dependent on the operations of the Partnership.

2. The Plan:

Upon consummation of the Plan on October 4, 1991, the Partnership issued to the holders of the Company's 14% First Mortgage Bonds, Series A, Due 1998 (the "Old Bonds"), a general partnership interest representing 49.995% of the equity of the Partnership. Such holders in turn contributed such partnership interest to Holding. The Company also issued new 11.35% Mortgage Bonds, Series A, Due 1999 ("New Bonds") in exchange for the Old Bonds. Each $1,000 principal amount of New Bonds trades as a unit with one share of Class B Redeemable Common Stock (the "Class B Stock") of Holding, described below.

As part of the Plan, TM/GP Corporation, a New Jersey corporation and a wholly owned subsidiary of Holding ("TM/GP") with no other assets, received a 49.995% partnership interest in the partnership from Holding and serves as the Partnership's managing general partner. Donald J. Trump also contributed to Holding a 50% ownership interest in The Trump Taj Mahal Corporation, a Delaware Corporation, which owns a .01% interest in the Partnership.

At the time of these transfers, Holding issued 1,350,000 shares of its Class A Common Stock (the "Class A Stock") and 729,458 shares of its Class B Stock to the holders of the Old Bonds and 1,350,000 shares of its Class C Common Stock (the "Class C Stock") to Donald J. Trump. In accordance with the terms of the New Bond Indenture, a portion of the interest on the New Bonds may be paid in additional New Bonds. At May 15, 1992, $8,844,000 of New Bonds and 8,844 shares of Class B Stock were issued in lieu of the payment of a portion of the cash interest on the outstanding New Bonds.

Generally, the holders of the Class B Stock are entitled to elect four of the nine members of Holding's Board of Directors and Donald J. Trump, as holder of the Class C Stock is entitled to elect the remaining five directors. The Class A Stock has no voting rights during the time any of the Class B Stock is outstanding. However, except upon Holding's liquidation, only the Class A Stock is entitled to distributions and dividends, if any, made by Holding. The Class B Stock must be redeemed at a price of $.50 per share when the New Bonds, with which they were issued, are paid, redeemed or purchased and canceled.

3. Summary of Significant Accounting Policies:

Investment in the Partnership

Holding accounts for its investment in the Partnership using the equity method of accounting. Under this method, Holding reports as equity income 50% of the Partnership's earnings, if any, from October 4, 1991. In addition, the difference between Holding's equity in the underlying identifiable assets of the Partnership as of October 4, 1991 ($91,703,000) and the cost basis of its investment in the Partnership is being amortized into income over 40 years.

For the period from October 4, 1991 to June 30 1992, the Partnership incurred a net loss of $39,855,000. Holding's equity in this loss ($19,927,500) less amortization of the difference between the underlying identifiable assets of the Partnership and the cost basis of its investment in the Partnership ($1,719,000 for the period October 4, 1991 to June 30, 1992) will not be reflected in Holding's financial statements until such time as the Partnership generates earnings sufficient to offset the accumulated net loss.

Income Taxes

Holding will record Federal Income taxes based on its allocable share of Partnership earnings. The payment of any such taxes is reimbursed by the Partnership. Under the New Jersey Casino Control Commission regulations, the Partnership is required to file a New Jersey corporation business tax return and pay all state taxes attributable to its earnings.

Operating Expenses

Expenses of Holding consist of directors and officers liability insurance, board of director fees and expenses, and administrative expenses. Holding is entitled to full reimbursement of such expenses by the Partnership. Total expenses for the three and six months ended June 30, 1992 approximated $513,000 and $914,000 respectively, all of which were reimbursed by the Partnership.

Earnings Per Share

For the calculation of net loss per share, Class A Stock was used since it is the only Class of participating stock. Net loss per share is determined by dividing net loss by the number of shares of Class A Stock outstanding.

TRUMP TAJ MAHAL ASSOCIATES AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30 1992 (unaudited)	December 31 1991
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	$ 30,558	$ 22,535
Receivables, net of allowance of $5,550 and $5,644 for doubtful accounts	14,693	17,073
Inventory	2,878	3,067
Prepaid expenses and other current assets	6,246	2,633
Total Current Assets	54,375	45,308
PROPERTY AND EQUIPMENT:		
Land	37,291	37,291
Building	636,585	634,347
Furniture, fixtures and equipment	140,965	138,940
Leasehold improvements	24,276	24,276
	839,117	834,854
Less: Accumulated depreciation and amortization	(86,635)	(68,719)
	752,482	766,135
OTHER ASSETS	3,897	2,608
Total Assets	$810,754	$ 814,051
LIABILITIES AND CAPITAL		
CURRENT LIABILITIES:		
Long-term debt due currently	$ 552	$ 739
Accounts payable	8,127	4,519
Accrued interest payable	8,715	8,524
Due to affiliates, net	25	206
Other current liabilities	34,436	32,423
Total Current Liabilities	51,855	46,411
DEFERRED TAXES AND OTHER LIABILITIES	24,412	25,959
LONG-TERM DEBT	591,864	573,844
COMMITMENTS AND CONTINGENCIES		
CAPITAL:		
Contributed capital	123,765	123,765
Accumulated surplus	18,858	44,072
Total Capital	142,623	167,837
Total Liablities and Capital	$ 810,754	$ 814,051

The accompanying notes to financial statements
are an integral part of these balance sheets

TRUMP TAJ MAHAL ASSOCIATES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)
(unaudited)

	For the three months ended June 30,	
	1992	1991
REVENUES:		
Gaming	$ 103,497	$ 100,293
Rooms	10,918	10,661
Food and beverage	15,775	15,008
Other	4,022	3,008
Gross revenues	134,212	128,970
Less - Promotional allowances	16,103	14,433
Net revenues	118,109	114,537
COST AND EXPENSES:		
Gaming	45,186	44,963
Rooms	5,932	5,479
Food and beverage	14,608	13,202
General and administrative	25,130	26,668
Depreciation and amortization	9,024	8,892
Restructuring costs	-	4,143
	99,880	103,347
Income from operations	18,229	11,190
Interest income	259	295
Interest expense	(25,739)	(26,003)
Provision for litigation	-	(1,750)
Net loss	$ (7,251)	$ (16,268)

The accompanying notes to financial statements are an integral part of these statements.

TRUMP TAJ MAHAL ASSOCIATES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)
(unaudited)

	For the six months ended June 30,	
	1992	1991
REVENUES:		
Gaming	$ 195,715	$ 184,591
Rooms	19,445	19,843
Food and beverage	29,293	29,359
Other	7,906	5,422
Gross revenues	252,359	239,215
Less - Promotional allowances	29,976	28,886
Net revenues	222,383	210,329
COST AND EXPENSES:		
Gaming	87,062	85,139
Rooms	11,535	10,838
Food and beverage	27,151	25,134
General and administrative	52,140	52,946
Depreciation and amortization	18,132	17,988
Restructuring costs	-	7,673
	196,020	199,718
Income from operations	26,363	10,611
Interest income	512	524
Interest expense	(51,175)	(52,034)
Provision for litigation	-	(1,750)
Net loss	$ (24,300)	$ (42,649)

The accompanying notes to financial statements are an integral part of these statements.

TRUMP TAJ MAHAL ASSOCIATES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CAPITAL
(Dollars in thousands)
(unaudited)

	Contributed Capital	Accumulated Surplus	Total Capital
Balance, December 31, 1991	$123,765	$ 44,072	$167,837
Net loss for the six months ended June 30, 1992	-	(24,300)	(24,300)
Partnership distribution	-	(914)	(914)
Balance, June 30, 1992	$123,765	$ 18,858	$142,623

The accompanying notes to financial statements are an integral part of these statements.

TRUMP TAJ MAHAL ASSOCIATES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	For the six months ended June 30,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(24,300)	$(42,649)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities –		
Depreciation and amortization	18,132	17,988
Charges related to lease guarantee	731	-
Accretion of discount on Bond indebtedness	6,334	-
Other adjustments to reduce the carrying value of non current assets	1,201	-
Provision for doubtful accounts	3,773	3,861
	5,871	(20,800)
Changes in operating assets and liabilities:		
Receivables, net	(1,393)	(2,846)
Inventory	189	1,317
Other current assets	(1,771)	(50)
Other assets	(2,490)	(641)
Due to affiliates, net	(181)	3,216
Accounts payable	3,647	(2,990)
Accrued interest payable	7,273	50,502
Other liabilities	855	4,047
New Cash flows provided by operating activities	12,000	31,755
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,481)	(9,619)
Investment in CRDA obligation	(1,237)	-
Net cash flows used in investing activities	(5,718)	(9,691)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	8,000	-
Repayments of borrowings	(5,345)	(292)
Partnership distribution	(914)	-
New cash flows provided by (used in) financing activities	1,741	(292)
NET INCREASE IN CASH AND CASH INVESTMENTS	8,023	21,844
CASH AND CASH INVESTMENTS BEGINNING OF PERIOD	22,535	22,480
CASH AND CASH INVESTMENTS END OF PERIOD	$ 30,558	$ 44,324
INTEREST PAID	$ 36,775	$ 104

The accompanying notes to financial statements are an integral part of these statements.

TRUMP TAJ MAHAL ASSOCIATES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Organization and Operations:

The accompanying consolidated financial statements include those of Trump Taj Mahal Associates (the "Partnership"), and its wholly owned subsidiary, Trump Taj Mahal Funding, Inc. (the "Company"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Trump Taj Mahal Associates was formed on June 23, 1988, as a New Jersey limited partnership. As part of the Plan of Reorganization (Note 2), the Partnership was converted to a general partnership in December, 1990. The current partners and their respective ownership interests are Trump Taj Mahal, Inc. ("TTMI"), 49.995%, The Trump Taj Mahal Corporation ("Trump Corp."), .01%, and TM/GP Corporation ("TMGP"), the managing general partner, a wholly owned subsidiary of Taj Mahal Holding Corp. ("Holding"), 49.995%.

The accompanying financial statements have been prepared by the Partnership and the Company without audit. In the opinion of the Partnership and the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position, results of operations and changes in cash flows for the periods presented, have been made.

The accompanying financial statements have been prepared by the Partnership and the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Partnership and the Company's December 31, 1991 Annual Report on Form 10-K.

The casino industry in Atlantic City is seasonal in nature, therefore, results of operations for the three and six months ended June 30, 1992 and 1991 are not necessarily indicative of the operating results for a full year.

(2) Plan of Reorganization:

On July 16, 1991, the Company, the Partnership, and its general partners filed a voluntary petition for relief under chapter 11 of title 11, United States Code (the "Bankruptcy Code"). On July 17, 1991 these entities filed a Plan of Reorganization, as amended (the "Plan"). The Plan was confirmed by the Bankruptcy Court on August 28, 1991 and the Plan was consummated October 4, 1991 (the "Effective Date"). Pursuant to the terms of the Plan, the Company's 14% First Mortgage Bonds, Series A, due 1998 (the "Old Bonds") were exchanged for the Company's 11.35% Mortgage Bonds, Series A, due 1999 (the "New Bonds") and certain modifications were made to the terms of bank borrowings, and amounts owed to both Donald J. Trump and his affiliates. In addition, approximately 50% of the ownership interest in the Partnership was transferred to the holders of the Old Bonds. Since the Company has no business operations, its ability to repay the principal and interest on the New Bonds is completely dependent on the operations of the Partnership.

In accordance with AICPA Statement of Position 90-7, "Financial Reporting By Entities in Reorganization Under the Bankruptcy Code", the New Bonds when issued were stated at the present value of amounts to be paid. The effective interest rate of the New Bonds was determined based on the trading price of the New Bonds for a specific period. Stating the debt at its approximate present value resulted in a reduction of approximately $204,276,000 in the carrying amount of the New Bonds. This gain is being offset by increased interest costs over the period of the New Bonds to accrete such bonds to their face value at maturity. At June 30, 1992 the unaccreted balance of this discount approximated $195,000,000. The current interest rates of other borrowings approximated their stated interest rates as of the Effective Date.

(3) Borrowings:

The New Bonds bear interest at 11.35% per annum payable semi-annually on May 15 and November 15. Interest on the New Bonds must be paid in cash on each interest payment date at the rate of 9.375% per annum (the "Mandatory Cash Interest Amount"). In addition to the Mandatory Cash Interest Amount, on each May 15 an additional amount of interest (the "Additional Amount") in cash or additional New Bonds, or a combination thereof, is payable equal to the difference between 11.35% of the outstanding principal amount of the New Bonds and the Mandatory Cash Interest Amount paid on that date and the immediately preceding November 15. To the extent that there is Excess Available Cash Flow ("EACF") of the Partnership, as defined, for the immediately preceding calendar year, the Company will pay the Additional Amount in cash up to 10.28% and the balance thereof may be paid at the option of the Company in cash or additional New Bonds provided that an equivalent amount of cash is used to purchase or redeem New Bonds. For the period from the Effective Date through December 31, 1991, there was no EACF. Accordingly, the Company satisfied the Additional Amount on May 15, 1992 through the issuance of approximately $8,844,000 in additional New Bonds.

In November 1991, the Partnership obtained a working capital line of credit in the amount of $25,000,000 with a maturity of five years. Interest on advances under the line is at prime plus 4% with a minimum of 9% per annum. The Agreement provides for a 1% annual fee and a 3/4% unused line fee and contains various covenants during the term of the facility. During 1992, $8,000,000 was borrowed against the line of which $3,000,000 was outstanding at June 30, 1992.

(4) Casino License Renewal:

The Company and the Partnership are subject to regulation and licensing by the New Jersey Casino Control Commission (the "CCC"). The Partnership's casino license must be renewed periodically, is not transferable, is dependent upon the financial stability of the Partnership and can be revoked at anytime. Due to the uncertainty of any license renewal application, there can be no assurance that the license will be renewed. Upon revocation, suspension for more than 120 days, or failure to renew the casino license due to the Partnership's financial condition or for any other reason, the Casino Control Act provides for the mandatory appointment of a conservator to take possession of the hotel and casino's business and property, subject to all valid liens, claims and encumbrances.

On April 6, 1992, the CCC renewed the casino license of the Partnership through April 26, 1993 subject to certain continuing reporting and compliance conditions.

(5) Legal Proceedings:

The Partnership, its Partners, certain of its employees and the Company are involved in various legal proceedings incurred in the normal course of business, including certain claims initiated in the Bankruptcy Court. In the opinion of the Partnership and its counsel, the expected disposition of these proceedings would not have a material effect on the Partnership's or the Company's financial condition.

(6) Partnership Distribution:

The Partnership is obligated to reimburse Holding for its operating expenses which consist of directors and officers liability insurance, board of director fees and expenses, and administrative expenses. Total expenses for the three and six months ended June 30, 1992 approximated $513,000 and $914,000 respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three and Six Months
Ended June 30, 1992

The Registrant commenced operations on October 4, 1991. The Registrant accounts for its investment in the Partnership using the equity method of accounting. Under this method, the Registrant reports as equity income 50% of the partnership's net income, if any, from October 4, 1991. In addition, the difference between the Registrant's equity in the underlying identifiable assets of the partnership as of October 4, 1991 ($91,703,000) and the cost basis of its investment in the partnership is being amortized into income over 40 years.

For the period from October 4, 1991 to June 30, 1992, the Partnership incurred a net loss of $39,855,000. The Registrant's equity in this loss ($19,927,500) less amortization of the difference between the underlying identifiable assets the Partnership and the cost basis of its investment in the Partnership ($1,719,000 for the period October 4, 1991 to June 30, 1992) will not be reflected in the Registrant's financial statements until such time as the Partnership generates earnings sufficient to offset the accumulated net loss. For information with respect to the Partnership's results of operations see "Trump Taj Mahal Associates and Subsidiary Financial Statements" included elsewhere herein.

For the three and six months ended June 30, 1992, the Registrant incurred $513,000 and $901,000, respectively, in expenses composed of Board of Directors fees and related insurance costs, for which the Registrant is entitled to an Expense Distribution, as defined below, from the Partnership.

Liquidity and Capital Resources

The Registrant's sole source of liquidity is from distributions from its subsidiaries. As of June 30, 1992 the Registrant did not have any long or short term indebtedness, and is not anticipated to have any in the near future.

The Partnership Agreement provides that the Partnership shall make distributions (i) at the direction of TM/GP, a wholly-owned subsidiary of the Registrant, and (ii) to each partner necessary for such partner to pay its taxes arising out of its interest in the partnership ("Tax Distributions"). In addition, the Partnership Agreement requires the Partnership to distribute to TM/GP ("Expense Distributions") amounts necessary to permit TM/GP or the Registrant (a) to make payments (generally for indemnification of officers and directors) that TM/GP or the Registrant are required to make pursuant to the terms of the TM/GP Certificate of Incorporation and the Registrant's Certificate of Incorporation, (b) to pay fees to Directors (including fees for serving on a committee), (c) to pay all other expenses of TM/GP and the Registrant, and (d) to permit the Registrant to redeem its Class B Stock when required to make such a redemption pursuant to the terms of its

Certificate of Incorporation.

The Indenture pursuant to which the New Bonds were issued prohibits the Partnership from making any distributions other than Tax Distributions and Expense Distributions during such time as the New Bonds are outstanding.

The Registrant's Certificate of Incorporation requires the Registrant to redeem each outstanding share of Class B Stock at a redemption price of $.50 per share (adjusted to reflect stock splits, combinations and dividends since the original date of issuance) at such time as the principal amount of New Bonds with respect to which such share was issued is redeemed, defeased, or paid in full.

Pursuant to the Stock Issuance Agreement entered into as of October 4, 1991, the Registrant has agreed to issue and deliver to Funding such number of additional shares of Class B Stock as Funding may request to enable Funding to pay interest on the New Bonds in the form of additional Units in accordance with the terms of the Indenture. In accordance with the Stock Issuance Agreement, the Registrant anticipates that it will issue an additional 8,844 shares of Class B Stock on May 15, 1992.

Part II - Other Information

Item 1. Legal Proceedings.

(a) The Registrant is not a party to any legal proceedings. The Partnership, its partners, certain members of its former Executive Committee, the Company and certain of their employees are involved in various legal proceedings, some of which are described below. The Partnership and the Company have agreed to indemnify such persons and entities, against any and all losses, claims, damages, expenses (including reasonable costs, disbursements and counsel fees) and liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) incurred by them in said legal proceedings. Such persons and entities are vigorously defending the allegations against them and intend to vigorously contest any future proceedings.

(b) Reference is made to the description of the legal proceedings contained in the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 and Annual Report on Form 10-K for the year ended December 31, 1991, filed with the Securities and Exchange Commission.

(c) On or about June 2, 1992 the Court in the consolidated Bondholder Litigation dismissed the complaint in its entirety and with prejudice. Counsel for plaintiffs have filed a timely notice of appeal with the United States Court of Appeals for the Third Circuit, but the appeal has not yet been briefed or argued.

On July 1, 1992, Debtors filed their motion for partial summary judgment on their objection to that portion of First Boston's Claim based upon the so-called transaction fee in the claimed amount of $6,345,000. On July 31, 1992, First Boston filed its cross-motion for partial summary judgment on the remaining portion of the Claim relating to its expenses. The return date for these motions is August 18, 1992. The time to complete discovery, initially set for September 4, 1992 at the scheduling hearing on March 3, 1992, has been extended to September 18, 1992. The trial date remains scheduled for October 1 and 2, 1992. At this juncture in the proceeding, the prospects of a favorable outcome cannot be assessed. The Debtors intend to vigorously contest the First Boston Claim through the hearing on the cross-motions for partial summary judgment and otherwise.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Registrant's 1991 Annual Meeting of Shareholders was held on April 29, 1992.

(b) Proxies for the Annual Meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees as listed in the Proxy Statement, and the nominees were elected to hold office until the next annual meeting of Shareholders, as indicated in the proxy statement.

(c) No matters were voted on at the Annual Meeting other than the election of directors and the ratification of the selection of the independent public accountants.

(d) None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits - 10.1 Employment Agreement - Ernest E. East.

(b) The Company filed the following Current Reports on Form 8-K: None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

TAJ MAHAL HOLDING CORP.

Date: August 12, 1992

By: /s/ DONALD J. TRUMP
Donald J. Trump
President

/s/ HENRY W. HORNBOSTEL
Henry W. Hornbostel
Assistant Treasurer
(Duly Authorized Officer)

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FORM 10 - Q

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Corporation
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SECURITIES AND EXCHANGE COMMISSION
Washington D.C 20549

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 1992 or

__ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ______.

Commission File Number: 0-16112

CORPORATE SOFTWARE INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	04-2776573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

275 Dan Road, Canton, Massachusetts 02021
(Address of principal executive offices)

Registrant's telephone number, including area code: (617) 821-4500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO __

As of July 31, 1992 there were 5,936,799 shares of Common Stock outstanding.

CORPORATE SOFTWARE INCORPORATED

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PART I - FINANCIAL INFORMATION

CORPORATE SOFTWARE INCORPORATED
CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS

	UNAUDITED June 30, 1992	December 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$ 11,057	$ 10,273
Short-term investments	-	885
Accounts Receivable, less allowance of $2,532 in 1992 and $2,493 in 1991	46,416	42,321
Inventory	24,047	24,758
Prepaid expenses	2,848	3,086
Other assets	3,372	2,958
Total current assets	87,740	84,281
FURNITURE AND EQUIPMENT, NET	9,505	9,036
OTHER ASSETS		
Excess of purchase price over net assets of business acquired	278	309
Other assets	263	208
Total other assets	541	517
	$ 97,786	$ 93,834

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 1992	December 31, 1991
CURRENT LIABILITIES		
Notes payable to bank	$ 965	$ 7,912
Accounts payable	31,779	33,281
Accrued expenses	5,109	5,428
Accrued income taxes	1,825	1,859
Current portion of capital lease obligations	1,477	1,624
Total current liabilities	41,155	50,104
NON-CURRENT PORTION OF CAPITAL LEASE OBLIGATIONS	2,589	3,024
STOCKHOLDERS' EQUITY		
Convertible Preferred Stock, par value $.01 per share, authorized 5,000,000 shares, none issued and outstanding	-	-
Common Stock, par value $.01 per share, authorized 15,000,000 shares, issued and outstanding 5,931,799 in 1992 and 5,110,465 in 1991	59	51
Additional paid-in capital	34,272	24,086
Retained earnings	18,990	16,376
Cumulative translation adjustment	721	193
Total stockholders' equity	54,042	40,706
	$ 97,786	$ 93,834

See Notes To Consolidated Financial Statements

CORPORATE SOFTWARE INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
UNAUDITED

	Three Months Ended June 30, 1992	Three Months Ended June 30, 1991
Net sales	$ 71,669	$ 52,290
Cost of sales	58,371	39,809
GROSS PROFIT	13,298	12,481
Selling expenses	4,772	4,354
General and administrative expenses	6,744	6,047
Total operating expenses	11,516	10,401
INCOME FROM OPERATIONS	1,782	2,080
Interest expense, net	130	141
Other (income) expense	(5)	2
	125	143
Income before income taxes	1,657	1,937
Provision for income taxes	611	738
NET INCOME	$ 1,046	$ 1,199
Net income per share	$.18	$.23
Average shares outstanding	5,803	5,260

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
Net sales	$135,610	$108,008
Cost of sales	108,901	82,581
GROSS PROFIT	26,709	25,427
Selling expenses	8,920	8,980
General and administrative expenses	13,271	12,361
Total operating expenses	22,191	21,341
INCOME FROM OPERATIONS	4,518	4,086
Interest expense, net	352	286
Other income	(13)	(18)
	339	268
Income before income taxes	4,179	3,818
Provision for income taxes	1,565	1,458
NET INCOME	$ 2,614	$ 2,360
Net income per share	$.46	$.45
Average shares outstanding	5,645	5,191

See Notes to Consolidated Financial Statements.

CORPORATE SOFTWARE INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

UNAUDITED

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
OPERATING ACTIVITIES:		
Net income	$ 2,614	$2,360
Adjustments to reconcile income to net cash (used in) provided by operating activities:		
Depreciation	1,302	1,037
Amortization	31	31
Provision for losses on accounts receivable	209	531
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(3,737)	554
Decrease (increase) in inventory	832	(2,453)
Increase in prepaid expenses and other assets	(167)	(173)
Decrease in accounts payable and accrued expenses	(2,097)	(2,106)
(Decrease) increase in accrued income taxes	(66)	517
(Decrease) increase other	(55)	414
Net cash (used in) provided by operating activities	(1,134)	712
FINANCING ACTIVITIES:		
Common Stock issued	9,681	
Stock options exercised	512	257
(Decrease) increase in note payable to bank	(6,828)	1,163
Repayment on capital lease obligations	(761)	(955)
Net cash provided by financing activities	2,604	465
INVESTING ACTIVITIES:		
Additions to furniture and equipment	(1,546)	(625)
Sale of short-term investments	885	960
Net cash (used in) provided by investing activities	(661)	335
Effect of exchange rate changes on cash and cash equivalents	(25)	(352)
Increase in cash and cash equivalents	784	1,160
Cash and cash equivalents at beginning of year	10,273	7,644
Cash and cash equivalents at end of period	$11,057	$8,804

See Notes to Consolidated Financial Statements.

CORPORATE SOFTWARE INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - The unaudited financial information furnished herein reflects all adjustments, which in the opinion of management are of a normal recurring nature, to fairly state the Company's financial position, cash flows and the results of its operations for the periods presented. This information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 1991, included in the 1991 Annual Report to Stockholders.

Note B - The results of operations for the three and six month periods ended June 30, 1992 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1992.

Note C - Net income per share is based upon the weighted average number of common shares and common share equivalents outstanding during the period.

Note D - The difference between the actual tax provision and the amount obtained by applying the U.S. federal statutory rate to income before tax is as follows:

	Three Months Ended June 30,	
	1992	1991
Federal income tax at statutory rate	$563,000	$659,000
State income tax, net of federal benefit	52,000	101,000
Foreign income tax and other	(4,000)	(22,000)
	$611,000	$738,000
Effective rate	36.9%	38.1%

	Six Months Ended June 30,	
	1992	1991
Federal income tax at statutory rate	$1,421,000	$1,297,000
State income tax, net of federal benefit	141,000	167,000
Foreign income tax and other	3,000	(6,000)
	$1,565,000	$1,458,000
Effective rate	37.4%	38.2%

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net sales. In relation to comparable periods of the prior year, net sales increased by 37% for the second quarter of 1992 and by 26% for the first six months of 1992. European net sales for the second quarter and the first six months of 1992 increased by 41% and 23%, respectively, when compared to the same prior year periods. North American net sales for the second quarter and the first six months of 1992 increased by 35% and 27%, respectively, when compared to the same prior year periods. In relation to comparable periods of the prior year, European net sales, as a percentage of consolidated net sales, remained relatively constant at 39% and 38% respectively for the second quarter of 1992 and 1991 and 41% and 42% for the first six months of 1992 and 1991.

Gross profit. In relation to the comparable period of the prior year, gross profit, as a percentage of net sales, decreased to 18.6% from 23.9% during the second quarter of 1992. For the first six months of 1992, gross profit, as a percentage of net sales, decreased to 19.7% from 23.5% as compared to the comparable prior year period. The reduction in gross margin is attributable to competitive pressures in North America and Europe and to the Company's aggressive pricing as a method of expanding revenues and market share.

Selling expenses. Selling expenses include the cost of maintaining and operating the sales organization and field offices as well as the cost of producing and mailing the Company's publications. In relation to the comparable period of the prior year, selling expenses, as a percentage of net sales, decreased to 6.7% from 8.3% during the second quarter of 1992. Selling expenses, as a percentage of net sales, decreased in both the Company's North American and European operations. Total selling expenses for the second quarter of 1992 increased by 9.6% from the second quarter of 1991. For the first six months of 1992, selling expenses, as a percentage of net sales, decreased to 6.6% from 8.3% as compared to the first six months of 1991. Total selling expenses for the first six months of 1992 decreased approximately $60,000 (less than 1%) as compared to the comparable prior year period. The decrease in selling expenses, as a percentage of net sales, is attributable to increased sales force productivity and stringent cost controls.

General and administrative expenses. General and administrative expenses include the expenses associated with the services the Company provides to customers as well as distribution and administrative costs. In relation to the comparable period of the prior year, general and administrative expenses, as a percentage of net sales, decreased to 9.4% from 11.6% during the second quarter of 1992. General and administrative expenses, as a percentage of net sales, decreased in both the Company's North American and European operations. Total general and administrative expenses for the second quarter of 1992 increased by 11.5% from the second quarter of 1991. For the first six months of 1992, general and administrative expenses, as a percentage of net sales, decreased to 9.8% from 11.4% as compared to the first six months of 1991. Total general and administrative expenses for the first six months of 1992 increased 7.4% as compared to the comparable prior year period. The decrease in general and administrative expenses, as a percentage of net sales, is attributable to the Company's focus on cost control.

Interest expense, net. The Company has chosen to fund its North American and European operations by utilizing a portion of the Company's $15,000,000 line of credit agreement, capital lease financing, excess operating cash and other financing alternatives. In relation to the comparable period of the prior year, interest expense, net decreased $10,000 during the second quarter of 1992. The reduction in interest expense, net is primarily attributable to the Company receiving gross proceeds of $9,922,500 ,during the quarter, from a public offering of 750,000 shares of Common Stock. For the first six months of 1992 interest expense, net increased $67,000 from the first six months of 1991 primarily attributable to increased borrowings ,during the first quarter of 1992, to satisfy short-term working capital requirements.

Liquidity and Capital Resources

Working capital at June 30, 1992 was $46,585,000 as compared to $34,177,000 at December 31, 1991. The Company anticipates that its cash requirements for the foreseeable future will be satisfied by cash flow from operations, existing cash and short-term borrowings. At June 30, 1992 the Company had available for future borrowing $14,035,000 under a $15,000,000 unsecured line of credit agreement.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Special Meeting in Lieu of Annual Meeting of Stockholders of the Company was held on May 11, 1992.

(b)(1) The following individuals were re-elected to the Board of Directors for three year terms expiring with the Company's Annual Meeting in 1995:

Morton H. Rosenthal
Charles M. Leighton

(b)(2) The following individuals' terms continued after the Special Meeting in Lieu of the Annual Meeting. Their terms will expire with the Company's Annual Meeting in 1994:

Donald F. Boudreau
Richard A. D'Amore

(b)(3) The following individual's term continued after the Special Meeting in Lieu of the Annual Meeting. His term will expire with the Company's Annual Meeting in 1993:

Dennis V. Vohs
Stephen D.R. Moore

(c)(1) The stockholders approved a proposal to amend the Corporation's 1987 Stock Option Plan by increasing the number of shares of Common Stock which may be issued pursuant to said plan from 950,000 to 1,350,000 shares. The number of votes cast for and against this proposal was as follows:

	No. of Shares
For	2,862,120
Against	1,452,820
Abstained	19,460

(c)(2) The stockholders approved a proposal to adopt the 1992 Employee Stock Purchase Plan. The number of votes cast for and against this proposal was as follows:

	No. of Shares
For	3,866,735
Against	476,940
Abstained	20,775

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: Exhibit No. 11 - Computation of Earnings Per Share.

(b) There were no reports on Form 8-K filed during the three month period ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on August 10, 1992.

CORPORATE SOFTWARE INCORPORATED

/s/Morton H. Rosenthal
Morton H. Rosenthal, Chief Executive
Officer (Principal Executive Officer)

/s/Douglass Greenlaw
Douglass Greenlaw, Chief Financial Officer
(Principal Accounting Officer)

Exhibit 11

CORPORATE SOFTWARE INCORPORATED
COMPUTATION OF EARNINGS PER SHARE

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Primary:				
Weighted average shares outstanding	5,554	5,069	5,349	5,061
Net effect of dilutive stock options - based on the treasury stock method using the average stock price	249	191	296	134
Total	5,803	5,260	5,645	5,195
Net income	$1,046	$1,199	$2,614	$2,360
Per share amount	$0.18	$0.23	$ 0.46	$ 0.45
Fully Diluted:				
Weighted average shares outstanding	5,554	5,069	5,349	5,061
Net effect of dilutive stock options - based on the treasury stock method using the period-end market price if higher	249	191	296	191
Total	5,803	5,260	5,645	5,252
Net income	$1,046	$1,199	$2,614	$2,360
Per share amount	$0.18	$0.23	$ 0.46	$ 0.45